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NEWS SUMMARY

GENERAL

Divers die in N. Sea accident

Two North Sea divers were killed in an accident at the Beryl Field, 200 miles north-east of Aberdeen.

The divers were trapped inside their diving bell on the seabed, 400 ft below the surface, after the lift lines attached to the bell broke when the diving support vessel was forced from its station by gales.

As rescue operations started, water seeped into the damaged bell, flooding the chamber, and the body of one diver floated to the surface. Both men were employed by Northern Divers, a subsidiary of Star Offshore Services. Back Page

Transvaal leader

The election of the arch conservative Dr. Andries Treurnicht as Transvaal leader of South Africa's ruling National Party is expected to precipitate a bitter ideological struggle within the Government. Back Page

Newsmen safe

British television journalist Michael Nicholson and his two-man film crew arrived in Johannesburg after being trapped for 16 weeks inside Angola with rebels of the National Union for the Total Independence of Angola (UNITA).

Refugees aided

Canadian immigration officials issued socks and blankets to 159 Vietnamese refugees arriving from the freighter Hai Hong, stranded off the Malaysian coast for three weeks while awaiting international resettlement offers.

Services hit

Troops used teargas and fired into the air to disperse anti-Shah demonstrators in Tehran as a general strike called by the Opposition crippled most services. Back Page

Mark 'murdered'

Scotland Yard detectives are treating the death of 11-year-old schoolboy Mark Berkshire as murder after his body was found in undergrowth at All Saints' Church, West Dulwich, London. Mark disappeared two months ago.

Chirac hurt

M. Jacques Chirac, Gaullist Party leader and former French Prime Minister, suffered a fractured thigh bone when his car skidded on an icy road in the South West of France. Page 2

Guyana suicides

The last aircraft bringing home bodies found after the mass suicide at the Guyana jungle settlement of the People's Temple arrived in Delaware. Only 17 of the 914 dead have been positively identified.

Briefly . . .

Thousands of Republican demonstrators defied a ban and marched peacefully through Armagh.

Prostitutes hold a conference in London tonight on legalising their profession.

Weekly £50,000 Premium Bond prize winner lives in Manchester, with bond number 1GB751027.

Soccer referee in Yugoslavia was stabbed to death in Belgrade by a fan after two players were sent off.

Cyclone which devastated parts of Sri Lanka is expected to hit the west coast of India today.

Angry passengers burnt a bus which killed two motorcyclists in Karachi.

Scientists in East Germany have reconstructed skeletons of two elephant-like creatures which drowned in a mud pit 2m years ago.

At least 10 people died in a motel fire in New York.

Two Breton autonomists go on trial this week for planting a bomb at Versailles Palace.

BUSINESS

NEB puts in new five-year plan

● NATIONAL ENTERPRISE Board has submitted a new five-year corporate plan to the Industry Secretary based on a considerable increase in its present borrowing limit of £1bn.

The plan covers major expenditure on BL and Rolls-Royce, as well as other projects such as the £50m INMOS micro-electronics company and a £40m investment in the office equipment market. Back and Page 4

● TOUGHER PENALTIES are urged on companies failing to register restrictive trade practice agreements with the Office of Fair Trading, says the Consumers' Association in evidence to a Government review. Page 4

● GROCERY PRICE index calculated by the FT rose sharply this month to reach 103.67, up 1.9 points. The main cause was the rapid rise in the price of fresh fruit, vegetables and dairy products. Page 4

Germany faces steel strike

● WEST GERMAN steel industry seems certain to face its first strike for 50 years after the breakdown of a final round of talks between employers and the union. About 37,000 of the 200,000 union members are expected to be called out. Page 2

● PUBLIC SECTOR borrowing in the 1979-80 financial year will have to be £1.5bn-£2.25bn below the current expected levels if the Government's fiscal policy and monetary target are to be made consistent, says a London Business School study. Page 5

● COMECON, the Soviet Bloc economic group, has agreed to consider a compromise formula from the EEC Commission after three days of intensive talks in Brussels failed to produce an agreed basis for a formal accord. Page 2

● GENERAL ACCIDENT is to increase substantially its premium rates for household goods and personal valuables on all new business from December 1, and for existing contracts from next February 1. Page 5

● LANCERBOSS, the lift truck company based in Leighton Buzzard, has won a Saudi Arabian contract which could be worth £50m. Page 3

Unions accuse chemical groups

● TRADE UNIONS have accused multinational chemical companies of holding secret talks with the EEC in Brussels which could threaten "job security and national industrial strategy" in Britain and France. But chemical industry executives have denied that the talks were secret. Back Page

● IRON AND STEEL Trades Confederation, Britain's biggest steel union, is to seek a wage deal worth 12½ per cent and suggest plans to spread work in the British Steel Corporation. Page 5

● HARRIS QUEENSWAY, the carpet and furniture group, is expected to offer 5m shares at 155p each to raise £7.75m, taking the group's capital to £23.25m. Of the shares, 1m are new and the rest are from family interests. Page 26

● GENERAL MOTORS is to build a $55m car battery plant in the Lorraine province of France, its first such plant outside the U.S. It is due to come on stream in 1981 and produce 2.3m batteries a year eventually. Page 3

● NEWS INTERNATIONAL, the company headed by Mr. Rupert Murdoch, has sold 2.6m shares in London Weekend Television for about £3.6m. Page 5

● BORG-WARNER'S U.K. transmission division is launching a £10m five-year research programme to develop a new generation of automatic transmission systems. Page 4

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Posters accuse 'modern dictators'

Peking freedom calls reflect power struggle in party

BY JOHN HOFFMAN: PEKING NOV. 26

The dramatic street-poster campaign on the walls of the Chinese capital calling for unprecedented freedom, criticising past and present leaders, and drawing people on to the streets in their thousands, gathered force today amid scenes of intense enthusiasm.

New posters pasted on prominent walls in Peking in the past 36 hours deny that democracy has ever existed in China, and accuse "*modern dictators*" of suppression and denial of human rights.

Some, the most remarkable examples of the new sense of freedom that has swept through China recently, contain the harshest criticism yet seen in *Peking of the late Chairman* Mao.

One said that in his *old* age Mao had become dogmatic, incapable of admitting his mistakes and prone to flattery, leading to abuses of his position. Another said bluntly that Mao's theories of economics and class struggle were ridiculous. "They were not even truly Marxist."

This poster and others have followed persistent reports of a power struggle at the top of the Chinese Communist Party leadership with gathering support for the reinstated principal Vice-Premier Teng Hsiao-ping and his policies of economic liberalism, believed to have been largely responsible for the recent overtures to the West.

One poster which enumerates 14 examples of "serious damage to Chinese society" by Mao, cites the former leader's support for the sacking of Teng, perhaps China's most popular and powerful leader, as one of the mistakes.

Another poster at the edge of Tien An Men Square, close to the Mausoleum which holds Mao's body, calls *for a full re-assessment of Mao.*

Was he "70 per cent good and 30 per cent bad?" it asks. It calls for a new look at the "Cultural Revolution" inspired by Mao, which started in 1966 and set back China's development by *years.*

"*Modern dictators have developed a new religion to* suppress the people and keep them in the dark," it says. A spiritual Great Wall had been built round the country to protect the dictatorship.

"Arise, comrades!—Give a final judgment to all dictators and finally eliminate them!"

Bitter attack

One poster makes a bitter attack on party vice-chairman Wang Tung-hsing, the fifth-ranking Politburo member who has been obliquely criticised for having been helped to power *by* the "Gang of Four."

"Get this insect out of the Politburo," the poster demands. "He wears the same trousers as Lin Piao and sits on the same bench as *the Gang of Four.*"

Thousands of people ignored suffocating dust storms today to crush 10 deep along the walls in Chang An Boulevard and in Tien An Men Square. There was no hostile atmosphere, but sections of the crowd stumbled and surged as people shoved their way toward the newly posted leaflets.

Foreign diplomats and journalists observing the poster activity in Peking have been mobbed by crowds eager for information about systems of government in other countries.

One group was *surrounded* yesterday by a press of people asking how Western democracy worked. Told that unpopular Governments could be replaced through elections, the crowd cheered.

They asked the diplomats to tell the world of the Chinese people's desire for democracy, human rights and freedom of expression.

They also said they would like to see Vice-Premier Teng Hsiao-ping elevated to the position of Premier, a post now held by Chairman Tua Kuo-feng.

The frankness of their exchanges with foreigners and of the posters, many of them signed, would have been impossible a year ago.

A young English-speaking Chinese talked today with a small group of Westerners in Peking's *main street. Asked his opinion* of the poster campaign he said: "This is very important to us—very helpful. It will mean more democracy for China."

Dispute at Times may reach regions

By Christian Tyler, Labour Editor

THE BATTLE over the future of The Times and Sunday Times, now almost certain to suspend publication after Thursday, could spread to about 50 newspapers in the provinces owned by the related Thomson Regional Newspapers.

Leaders of the National Graphical Association, the one union that has refused to meet Times Newspapers management, will today advise area officials that their support may be required.

The NGA, which because of the deadline imposed has twice rejected last-minute public appeals to negotiate, made it clear yesterday it sees The Times battle as one of national importance over who should operate the computer-linked keyboards that The Times and other newspapers want to introduce.

Further evidence of the seriousness of the confrontation came yesterday after the Sunday Times suffered what the management said was the biggest loss of copies since its first warning to all unions on April 28.

'Savaging'

Mr Dugal Nisbet-Smith, general manager of Times Newspapers, said: "*Obviously this* sickening pattern of damage cannot be allowed to go on. It is sad, but wholly indicative of our problem, that even at this last hour some union members cannot resist the final, merciless savaging of this great newspaper. There is little more one can say."

He said the paper lost 568,000 copies through the night due to two unauthorised meetings, slow *production, and another early* departure by machine assistants belonging to the National Society of Operative Printers, Graphical and Media Personnel (Natsopa).

The Sunday Times had lost *nearly 7.8m copies through disputes* this year. The Sunday paper, its colour supplement, The Times and its three supplements had between them lost over 13m copies, all due to unofficial industrial action.

With only four days to go, the company was negotiating through the weekend with some of its 54 bargaining groups.

Times Newspapers is demanding signatures to agreements covering staff cuts, working practices, disputes procedures and new technology in return for better pay, fringe benefits and holidays.

There is no sign that either the Government, or the TUC, both of which have been approached, are about to intervene. The company said last night: "We cannot conceive of a situation that would make us move the suspension date, short of getting the agreements we have asked for by that time."

Cabinet set to approve EMS stand

BY RICHARD EVANS AND PETER RIDDELL

THE PRIME MINISTER is *likely to gain endorsement from* his Cabinet colleagues for his formula for keeping Britain's options open over the European Monetary System, but he could face severe party difficulties this week.

On Thursday, the Cabinet is likely to be recommended to accept what amounts to a half-way house in which the UK will seek to participate with the rest of the EEC in establishing a *broad-based European Monetary* System, although sterling will not be linked immediately with other EEC currencies.

Sympathy for the UK view is believed to have been shown both in the talks between the Prime Minister and President Giscard d'Estaing of France on Friday and in discussions earlier this month between Mr. Callaghan and Mr. Roy Jenkins, President of the EEC Commission.

The Prime Minister's formula is not just a diplomatic way of not joining, even though the more positive approach to the proposals in Friday's Green Paper partly reflected a desire to avoid too open a split with the rest of the EEC.

The Prime Minister is committed to the creation of a zone of monetary stability and now believes that the only way to *obtain suitable conditions for the* UK is by at least partial involvement from the start in a scheme including the whole EEC.

The proposed half-way house would have the advantage that *the UK would be involved in* aspects of the system such as credit arrangements, the review after six months and harmonisation of economic policies. But it would be released from making *any significant and controversial* new commitments, as would be involved in linking sterling with other currencies.

Britain's reservations about what it sees as "a narrower issue of a particular exchange rate mechanism" were set out in the Green Paper.

Changes

This effectively indicated the limited progress made so far in satisfying British conditions.

The difficulties Britain faces were emphasised yesterday when Dr Hans Matthoefer, the West German Finance Minister, said on ITV's Weekend World television programme that changes in the Common Agricultural Policy had "nothing to do with the European currency system."

Speaking on the same programme, Mr. Edmund Dell, who was closely involved in the negotiations until he resigned as Trade Secretary a fortnight ago, said he did not believe that within a short period this country could bring its inflation and growth performance into line with that of Germany. "I believe therefore there are bound to be pressures within the system which could burst it apart."

There is little doubt that the majority of Labour Party activists are deeply suspicious of the EMS. Anti-Market MPs have latched on to the proposal and its implications *for the British* economy as a means of turning the party even more against membership of the Common Market as a whole.

But pro-Marketeers and many *uncommitted MPs are welcoming* Mr. Callaghan's tactic of continuing talks with the Community and tailoring Britain's economic policies accordingly as the least damaging option available. This is likely to be the majority view of a divided Cabinet.

Meetings

A series of difficult party meetings and a major Commons debate face Ministers early in the week before the Cabinet reaches a conclusion on EMS on Thursday prior to the Brussels summit next week.

Mr. Callaghan meets Mr. Jack Lynch, the Irish Premier, for talks in London today and M. Gaston Thorn, Prime Minister of Luxembourg, tomorrow in the last of his round of discussions with Common Market leaders before the summit.

The relationship between the closely-linked economies of the UK and Ireland is seen as one of the *trickier results of the* anticipated decisions by Ireland to join the EMS at its January starting date, and by Britain to remain on the sidelines.

The first Labour Party meeting takes place today *when the* home policy and international committees of the National Executive—all the senior members of Labour's ruling body—meet Mr. Denis Healey, Chancellor of the Exchequer, in the Commons to discuss EMS.

As the majority of the NEC is implacably opposed to any policy other than complete rejection of EMS, the Chancellor could be in for a rough ride. As the international committee has yet to choose a chairman it will be interesting to see who chairs today's meeting.

Mr. Anthony Wedgwood Benn is chairman of the home policy committee but as the Cabinet's most vociferous critic of EMS he might find it diplomatic to allow Mr. Frank Allaun, party chairman and another opponent, to take the meeting.

The full Parliamentary Labour Party meets tomorrow when both the Prime Minister and Chancellor will attend, and the full-scale Commons debate will follow on Wednesday.

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BL Cars may test 5% with premium pay offer

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

BL CARS looks set to give a lead to the engineering industry and provide another test for the Government's pay policy.

The State-owned company has told the trade unions that in addition to the 5 per cent annual wage award, it will honour—from next February—shift and overtime pay agreements negotiated by the Engineering Employers' Federation.

Shop stewards claim this could raise earnings by an average £4 a week in plants like Longbridge, Jaguar and Triumph where there *is extensive night-shift working.*

The Government has taken a strong line insisting that such premium payments under the national agreement must be offset against the 5 per cent ceiling. This has aroused widespread unrest among workers who find themselves restricted to an annual award of only 2 or 3 per cent.

Sensitive

BL is justifying its offer by pointing out that all premium payments will be self-financed through higher productivity.

It seems likely that a company as politically sensitive as BL would have made unofficial soundings within the Department of Employment before making any offer.

Whether official backing is forthcoming for such an apparently simple way round such a serious problem in the engineering industry will be watched with interest.

"Whatever the rights and wrongs of the BL case, any success will open the way for others to follow," the Federation said last night.

Few companies had yet concluded agreements. They were awaiting the outcome of the Ford dispute and settlements at key companies such as BL, the Federation added.

One of the principal battlegrounds in the current pay round is whether premium payments should be offset. The executive of the Confederation of Shipbuilding and Engineering Unions has instructed union officials to ignore such an obligation following shop floor pressure.

The Federation has not shifted ground, pointing out that against a depressed economic climate many companies cannot afford to honour both the agreement and pay an additional 5 per cent.

BL Cars will submit a written offer *tomorrow to the central* negotiating committee. The company had originally intended to introduce the national agreement in three phases ending next November.

However at negotiations last week with the threat of strike action by 20,000 workers at Longbridge, management agreed to "rejig" the offer and begin paying the money from next February.

Package

The company stressed last night that its total pay package was entirely dependent upon higher productivity. About 7,000 voluntary redundancies are currently being sought both to finance the national agreement and to achieve parity of earnings between plants by November next year.

The total BL package, worth nearly 17 per cent, for the lower-paid plants such as Longbridge and Cowley, will be backdated *to November 1 this year.*

FORD SANCTIONS TODAY

Government sanctions against Ford Motors are to be announced today following last week's 17 per cent settlement. They will be revealed after senior Ministers have informed Sir Terence Beckett, chairman of Ford UK, and are expected to provoke angry reactions at Westminster and in industry.

●Grocery and supermarket employees could get pay rises up to 20 per cent from an agreement which goes to union ballot this week. It guarantees an increase of at least £5.50 a week to about £100,000 workers in supermarket chains like Tesco, Fine Fare, Allied Suppliers and International Stores.
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Bid to avert collapse of world commodity fund talks

BY DAVID HOUSEGO GENEVA, Nov. 26.

FINAL ATTEMPTS were made today to avert the collapse of the resumed negotiations being held in Geneva between industrialised and developing nations to set up the proposed Common Fund to stabilise commodity prices.

Mr. Herbert Walker, chairman of the conference which is due to end tomorrow, appealed last night to delegations from both sides to seek more political flexibility from their Governments.

This call came after the West disclosed formally for the first time the sums they were willing to put up to finance the fund and the developing nations rejected the amounts as *inadequate.*

It was clear however, that after almost four years of often acrimonious discussions on the issue, both sides are now anxious that the present round should *end in agreement.*

The common ground between them is that the fund should be financed out of a mixture of direct government contributions and the pooled resources of *commodity associations. It is* also agreed that it should have a separately managed "second window" for concessional lending to poorer nations.

Developing nations of the Group of 77 were bitter at the insistence by the West that contributions to the "second window" should be voluntary with a target of $150-250m. They want mandatory contributions of $200m, or a substantially larger target, for voluntary contributions, on the ground that the fund will otherwise have little to offer many poorer African States.

They also dismissed the West's *offer of direct contributions of* $230m to the "first window"—the part of the fund to be devoted to buffer stocking. Industrialised nations have suggested that $60m should be paid *in cash (with an initial tranche* of $200,000 from each member State) and the remainder in callable capital.

The Group of 77 believes that the fund must have a minimum *of $400m-500m in initial capital* from direct contributions to ensure that it has both adequate liquidity and credit-worthiness for its borrowing.

The Organisation of Petroleum Exporting Countries has indicated that it will pay the cash contributions to the fund of the 29 least-developed nations—amounting to $2m each at the level of subscription for member States being proposed by the Group of 77. A Group of 77 delegate today described the Western offer as "insulting."

The Western proposal envisages initially a total fund of about $2bn covering about six commodities. Most of the financing for it would be raised through commodity associations.

The outcome of the present conference will determine the *immediate future of the so-called* North-South dialogue between developing and industrialised nations.

Israelis accused of trying to drive Egypt into isolation

BY ROGER MATTHEWS — CAIRO, Nov. 26.

THE NEED for further American intervention became more apparent this weekend as the dispute between Egypt and Israel over the terms of a peace treaty threatened to lead to more substantial delays.

Mr. Mustafa Khalil, the Prime Minister, accused Israel yesterday of trying to drive a wedge between his government and other Arab countries by pushing the draft of annex three to the peace treaty which dealt with the normalisation of relations between the two countries.

President Anwar Sadat said that he had not decided whether to go to Oslo on December 10 for the presentation of the Nobel peace prize which he has been awarded jointly with Mr. Menahem Begin, the Israeli Prime Minister.

Some senior U.S. senators who saw Mr. Sadat yesterday thought it might be to go in another two months before a peace treaty could be signed. The three-month target date set at Camp David in September is reached on December 17.

This is the first indication that has been offered of Mr. Sadat's insistence that the bilateral treaty should be firmly linked to a broader timetable for the establishment of Palestinian self-rule on the Israeli-occupied Gaza strip and West Bank.

Israel's publication of the third annex that accompanies the draft peace treaty was apparently in retaliation for Egypt's publication of its version of the basic treaty on Friday.

It revealed among other things that ambassadors would be exchanged after the first stage of Israel's withdrawal from the Sinai—that is within six to nine months—and that Egyptian oil would be sold to Israel. Egypt has ... commercial ... .

tions. It also stated that at this stage there would be full movement for civilians and vehicles from one country to the other.

Egyptian officials prefer not to discuss normalisation of relations in public while they are still purportedly trying to ensure that the bilateral treaty is linked to the framework for a comprehensive Middle East peace that was agreed at Camp David.

Officials stressed to-day that there could not be any agreement on the draft peace treaty or its accompanying annexes because there was not yet any agreement on Palestinian self-rule. Mr. Khalil repeated in a speech yesterday that Israel had to face the truth of this basic principle if there was to be peace.

An Egyptian special committee went to see President Sadat this afternoon with a working paper believed to contain some proposals for further amendments to the draft peace treaty. One of these is a change to the wording of Article six that says the obligations of the treaty take precedence over any others that the parties may have.

Reuter adds from Jerusalem: Mr. Begin today agreed that Israel's delegation should return to Washington only to initial a peace treaty and not to reopen negotiations, Cabinet sources said.

L. Daniel adds from Tel Aviv: Mr. Moshe Dayan, the Israeli Defence Minister, today described Article six of the draft as published in Cairo as the "heart of the agreement." Specifically, Egypt is bound by a 1951 treaty to come to the aid of any other signatory Arab country if it should be attacked.

The second major issue on which the two countries are still deadlocked is the timetable for elections in the West Bank and Gaza, in which Egypt insists ...

Andreotti replaces Cattin as crisis worries grow

BY RUPERT CORNWELL — ROME, Nov. 26.

SIG. GIULIO ANDREOTTI, the Italian Premier, has at last succeeded in appointing the industry minister of his choice. But the appointment has not improved the tense political atmosphere, which is threatening his minority Christian Democrat Government.

The new minister to replace Sig. Carlo Donat Cattin is, as expected, Prof. Romano Prodi. The 39-year-old Professor of Industrial Economics at Bologna University has studied and lectured in Britain and the U.S.

The ... of the widely respected and qualified technocrat, however, which overcome the Communists, whose support is keeping the present administration in office, is all that the Prime Minister has been able to do that he hoped would be an extensive reshuffle.

Even Professor Prodi's appointment was in doubt until a few days ago, when Sig. Donat Cattin was finally obliged to drop his demand that a member of his own Forze Nuove faction of the Christian Democrat Party be given the post he was vacating in return for a deputy secretary-general of the party.

The net result for Sig. Andreotti has been a fresh bout of feuding inside the ruling party, and discontent among the smaller parties which provide parliamentary backing under Italy's present governing formula.

Trouble is expected on a host of parliamentary issues, including land and pensions reform — as well as the vital three-year economic plan of Treasury Minister Sig. Filippo Maria Pandolfi the Treasury Minister. Any of these could provide the spark which the parties concerned ... possible early general elections, which the parties unconvincingly profess they do not want.

Rhodesians meet on race laws

BY TONY HAWKINS — SALISBURY, Nov. 26

THE 50-MEMBER parliamentary caucus of the ruling Rhodesian Front meets here tomorrow to decide whether or not the legislation on abolition of the country's remaining racial discrimination should go ahead now or wait until after the January 30 referendum.

The ruling party appears deeply split on the issue with some MPs anxious to push at least some of the legislation through the House in the new session starting on Tuesday while others want to await the outcome of the referendum.

The necessary legislation to repeal discrimination—in respect of land tenure, schools and health—will require a two-thirds majority in the lower house.

'No systematic tax evasion by Citibank'

BY DAVID LASCELLES — NEW YORK, Nov. 26.

LAWYERS ENGAGED by Citibank to investigate allegations that it illegally shifted profits from Europe to Nassau and New York appear to have exonerated the bank of any systematic tax evasion in their report published last week.

"No institutional pattern of transferring tax liability from one country to another in violation of local tax laws was present," they say.

But in a further finding, which suggests that questions remain to be answered, they add: "We have discovered some specific instances where local counsel advise that tax challenges involving particular transactions would appear to have a high probability of success."

The bank immediately responded with an announcement that it would seek to settle any unasserted tax claims, adding that no bank, including Citibank, could claim complete innocence in the complex world of tax and foreign exchange control.

The 129-page report, prepared by the Wall Street law firm Shearman and Sterling together with Peat Marwick, Mitchell, the international accountants, was ordered by Citicorp's audit committee. This was after a former employee Mr. David Edwards, sued the bank for $14m alleging that he had been wrongfully dismissed for trying to uncover questionable foreign exchange practices.

In court papers filed here, Mr. Edwards alleges that Citibank deliberately shifted some of its tax liability from Frankfurt, Milan, Paris and Zurich across to Nassau and New York by means of foreign exchange deals made at contrived rates. He claims that Citibank then moved the resulting profits back to Europe through a separate accounting system so that European branches could meet their earnings targets.

Many of the lawyers findings appear to coincide with evidence presented to the court by Mr. Edwards, though there is not necessarily a suggestion in the report that Citibank's conduct was illegal.

According to the report, Citibank's management became concerned in the early 1970s about the relationship between its foreign and U.S. tax liabilities and decided "that more foreign exchange profits should be realised at its head office in New York or in Nassau."

This was partly done by "parking" a practice whereby European branches transfer foreign exchange positions to the bank's Nassau or New York branches, and buy them back later. The aim is to effect these deals at rates which leave the profit in either the Bahamas or New York. In the early stages, the report says, European positions were transferred to Nassau rather than New York "so as to avoid New York City and State tax."

As the practice developed, Citibank's internal auditing system was refined so that foreign branches "had an incentive to transfer positions to an area with a lower tax rate."

By 1975, parking had become so frequent that Citibank tried to standardise procedures. But the report says this was resisted by some of the bank's foreign exchange officers who "regarded (the procedures) as potentially inconsistent with both regulatory limits and Citibank's own controls on risk," and the idea was dropped.

Eventually, in July 1977, Citibank ordered that all parking deals be booked either with or via New York. "These instructions are currently in force," the report says, "although the level of such activity is greatly reduced."

The report also says that Citibank operates an internal accounting system called the Management Information System (MIS) whose aim is to show management where profits and costs are registered in the bank.

Under this system, European branches initiating deals which left a profit in Nassau or New York were credited with an amount equal to the profit "in acknowledgement of their role."

The legality of parking, in the lawyers' opinion, depends to a large extent on whether or not deals are made at prevailing market rates, and the report examines Citibank's record on this.

The investigators say they found several cases, notably in Citibank's Paris and Zurich branches, where prevailing rates were not used for parking transactions. The report goes on to say that it was not until after the collapse of the Herstatt Bank in 1974 that Citibank's treasury and comptroller divisions increasingly saw the need for branches transferring positions to use rates within the prevailing market range on both the original and reversing contracts."

In its summary on exchange rates, the report concludes that Citibank branches used both prevailing and non-prevailing rates—and even a combination of the two—when transferring positions.

Because Citibank does not keep most of its trading room paper work, investigators said they could not trace the exact deals in Mr. Edwards' allegations. But they put together "scenarios" describing typical foreign exchange deals made by Citibank dealers, and then went to European tax and company lawyers for their opinions.

Most lawyers responded that "arm's length deals" would not be illegal, and since they had been given to understand that all transactions had been at market rates, there was no violation of local rules and laws. The main exceptions were in Frankfurt and Paris where some transfers might have violated foreign exchange and income tax laws.

N. Zealand poll result in doubt

By Dai Hayward — WELLINGTON, Nov. 26.

A DRAMATIC swing against Mr. Robert Muldoon's National Government — contrary to early opinion poll predictions — saw Labour surge to within a few votes of becoming the Government in Saturday's New Zealand's general election.

Although National have an overall election night lead of six seats, Mr. Wallace Rowling, the Labour leader, has refused to concede defeat because thousands of special votes, which still have to be counted, could change the result in some seats.

Labour may take court action to ensure that votes of people left off the roll through an administrative mix up are counted.

Mr. Muldoon had confidently predicted an increase in his government's 21 seat majority. Instead this was slashed to six.

Two cabinet ministers lost their seats and several more MPs, including Mr. Bill Young, the Minister of Works, scraped home by only one or two hundred votes.

Labour believes it could gain some of these seats in magisterial recounts and from votes of New Zealanders living overseas.

Only changes in the electoral boundaries which favoured the National party saved it from defeat. There was a swing to Labour of 4.9 per cent. Under the old boundaries which applied when Labour was swept from office in 1975, this would have made it the government with a comfortable majority. Under the new boundaries, it needed a 5.2 per cent swing to become the government.

Labour received more total votes than National. Thousands of National supporters switched to Social Credit in a move generally seen as a protest against the National Government's record and also against Mr. Muldoon personally.

Despite the big upsurge in support for Social Credit which gave it 16 per cent of the total votes cast, only one member—the party leader Bruce Beetham—was returned to Parliament. Mr. Beetham is already calling for changes in New Zealand's "first past the post" electoral system. Social Credit will be demanding proportional representation—similar to that practised in Australia.

The National Party has 29 seats which can be judged marginal. Fifteen of these have majorities of less than 1,000 votes. Five of the Labour gains have majorities of less than 1,000. One Labour seat was captured with only nine votes. This could swing back to the Government.

Although Mr. Muldoon is confident his Government will retain a majority, it could be some weeks before all special votes from overseas and at home are counted and the final result known.

U.S. Government sees slowdown in car sales

BY JOHN WYLES — NEW YORK, Nov. 26

THE COMMERCE Department has stepped into the heated debate over the outlook for U.S. auto sales by predicting a 3.2 per cent fall in deliveries of domestically produced and imported cars and trucks.

Auto sales are a key barometer of economic trends and interest in the probable size of next year's market has been renewed by General Motors' recent decision to cut its end year dividend. This was widely interpreted as indicating faltering confidence in market prospects, but Mr. Thomas Murphy, General Motors' Chairman was at pains to emphasise this week that GM was sticking to its prediction of record sales of 15.6m cars and trucks in 1979.

However, the Commerce Department proposed on Friday a forecast from its "U.S. Industrial Outlook 1979" to be published in January which foresees sales of a record 15.6m cars and trucks in 1978, falling to 14.9m next year. Although this casts further doubt on the credibility of GM's forecasts, it is also less pessimistic than estimates produced by many auto industry analysts who are looking for car sales somewhere in the region of 10.4-10.5m and truck sales of 3.4m.

John Wicks writes from Zurich: The planned Swiss franc bond issue by the U.S. Treasury is likely to take place during January, according to the Saturday edition of the Zurich newspaper Tages-Anzeiger. Quoting banking and stock-exchange sources, the paper says the total may be of SwFr2bn ($1.18bn) worth of privately-placed notes with a maturity not exceeding five years. A rate of 2.75 per cent is given as a possible coupon. The Tages-Anzeiger warns the Americans would prefer 2.5 per cent and the Swiss 3 per cent.

Boumedienne 'out of deep coma'

BY ANTHONY McDERMOTT — ALGIERS, Nov. 26.

THE CONDITION of President Houari Boumedienne, until recently in a deep coma, has shown significant improvement according to informed sources here.

An important political consequence of this development is that the prolonged inconclusive and secretive discussions on the question of succession among the eight remaining members of the Revolutionary Council and commanders of military regions are in the Council have been made to look irrelevant.

Mr. Boumedienne is believed to have come out of his deep coma and to have been returning slowly to full consciousness. Nevertheless he remains gravely ill, and is known to be suffering in varying degrees from a possible clot on the brain, Waldenström's disease, a rare blood cancer affecting the bladder and damaged kidneys.

For the moment, no operation is needed but nevertheless his present condition could drag on for sometime until his international team of doctors under the direction of Algerian staff establish the full extent of damage to his health.

Romania jibs at Warsaw Pact strengthening

By Paul Lendvai — VIENNA, Nov. 26.

MR. NICOLAE CEAUSESCU, the Romanian President, publicly revealed that he rejected demands both for higher military spending and for an accelerated military integration at last week's Warsaw Pact summit meeting in Moscow.

A strongly worded statement of the ruling party's Political Executive Committee endorsed on Friday night what it called the "brilliant way" in which Mr. Ceausescu presented Romania's position at the summit meeting.

In a series of speeches delivered at encounters with delegations of workers and intellectuals during the weekend he repeatedly emphasised that the international situation did not justify any increase in military expenditure in the 1979 budget, recently approved by the Romanian Parliament. Such a move would also cause grave economic difficulties and make the planned increase of the standard of living impossible, he said. Mr. Ceausescu reassured the public that he did not sign any secret agreement in Moscow.

Without directly referring to the Soviets, he repeatedly stressed that the Romanian party and Government alone would decide where Romanian forces would fight against whom and under what conditions.

Final talks fail to avert W. German steel strike

BY ADRIAN DICKS — BONN, Nov. 26.

THE WEST GERMAN steel industry now appears certain to face its first strike for half a century on Tuesday morning, following the failure of a final round of talks between employers and union leaders over the weekend.

The steel workers' union, I.G. Metall, has announced that some 37,000 out of its 200,000 members in the Ruhr, Bremen and Osnabrueck regions will be called out. The plants selected include some belonging to each of the major companies—Thyssen, Mannesmann, Krupp and Hoesch. They have been picked, according to IG-Metall leaders, because they are turning out products sold to the motor industry, virtually the only healthy area of the steel sector's business in the fourth year of its world-wide crisis.

Tomorrow evening, the steel employers will decide whether to respond to the selective strike strategy with a general lockout. This action, bitterly resented both by the unions and by many in the ranks of Chancellor Helmut Schmidt's Social Democratic Party, was used against IG-Metall last spring by engineering employers in south-west Germany.

Herr Eugen Loderer, the IG-Metall president, sought to put the blame for the dispute on the employers, who have refused to discuss the union's claim for a progressive cut in the working week from 40 to 35 hours as a means of saving steel-workers' jobs and reducing unemployment.

The employers' leader, Herr Franz Weisweiler, has pointed out the dangers to the German steel sector's competitiveness of shorter working hours. He described the employers' final offer, of a 3 per cent pay rise plus six weeks' holiday for all, as much more generous than the industry could afford.

In the face of apparent intransigence on both sides, steel customers are expected shortly to attempt to cover their needs from imports. Weighing against this, however, will be a considerable feeling of solidarity with the steel employers on the part of other industries, which see the dispute as only the first test of the German union movement's ambition for a universal 35-hour week.

Chirac injured in road accident

BY ROBERT MAUTHNER — PARIS, Nov. 26.

M. JACQUES CHIRAC, the Gaullist Party leader and former French Prime Minister, was injured in a road accident in the south-west of France today.

The 45-year-old M. Chirac, who is also Mayor of Paris, suffered a fractured thigh bone when his car skidded on an icy road and hit a tree near Ussel, his parliamentary constituency.

After treatment at a local hospital, he was flown back to Paris. His injuries are expected to keep him from carrying out his normal political activities for several weeks. His driver suffered slight head injuries in the crash.

Portugal denies gold sales

By Our Own Correspondent — LISBON, Nov. 26.

THE BANK of Portugal has formally denied the recent sale of any of its gold reserves. A Central Bank spokesman this weekend made the following statement in relation to a Financial Times report.

"Portugal has not recently sold any gold to reduce its short-term loans with the central banks of other countries. Information of the kind published can only be explained through a lack of up to date knowledge of the facts or, for clearly speculative reasons."

EEC and Comecon fail to agree basis for talks

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT — BRUSSELS, Nov. 26.

THREE DAYS of intensive talks between the EEC and Comecon in Brussels have failed to produce a mutually agreed basis for negotiation of a formal accord between the two organisations.

However, Comecon's secretary, Mr. Nicolai Fadeev of the Soviet Union, has agreed that Comecon will consider a compromise proposal for an agreement put forward by the EEC Commission.

The proposal was described by Herr Wilhelm Haferkamp, the EEC External Affairs Commissioner, as going to the limit of possible concessions. It represents a slight softening of the Community's stand, but falls well short of meeting Comecon's demand for a full trade agreement.

The agreement envisaged by the Commission would be limited in content to the exchange of information on industrial and trade statistics, economic planning, and environmental affairs. Its text would also refer to trade relations between the two organisations.

As an added incentive, the EEC has offered to meet Comecon's quest for greater international recognition by suggesting that the eventual agreement should be formally concluded on the European side by the Council of Ministers. The Commission would, however, remain in charge of negotiations.

According to officials in Brussels, Mr. Fadeev has promised to give a reply to the EEC proposals after further consultation with Comecon's member governments.

The EEC has consistently rejected the Eastern bloc's demands for a full trade agreement on the grounds that Comecon is not equipped to deal with trade matters, having no common rules on tariffs, quotas or free movement of goods. It has insisted that any trade agreements must be concluded bilaterally between Brussels and individual East European countries.

Talks between the two organisations have been going on sporadically for more than four years. But little progress has been made recently, largely because neither side has been prepared to budge from its initial bargaining position.

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WORLD TRADE NEWS

GM picks France for $55m car battery plant

BY KENNETH GOODING

GENERAL MOTORS is to spend $55m to establish its first automotive battery plant outside the U.S. and has chosen a site at Sarreguemines, in the Province of Lorraine in North-Eastern France.

The 323,000 square feet plant, scheduled to come on stream early in 1981, will produce around 2.3m batteries a year when at full production and employ 600. It will make the "AC Delco Freedom" battery which GM describes as a "sealed, long-life unit that requires no service attention by the car owner during the battery's lifetime."

The batteries will go as original equipment to GM vehicles produced in Europe—Opel, Vauxhall, Bedford—and will also be offered to other motor manufacturers.

Technology for the batteries will be provided by GM's Delco Remy division in the U.S. which has pioneered the development of "maintenance free" batteries for cars and trucks since 1970. There are now 15m in use in the U.S.

Currently Vauxhall in the UK buys batteries from a number of suppliers, including Lucas and Chloride.

With the new plant, GM will have ten component manufacturing plants in Europe. Seven are already in operation—four in the UK, one in Ireland and two in France. Two others previously announced are under construction in Northern Ireland and in France.

● General Motors and Ford Motor are actively pursuing business ventures in China following visits there by top executives of the two motor companies, AP-DJ reports from New York.

Both GM and Ford have been holding talks directly and indirectly with Chinese officials aimed at exploring possible sales or production, or both, of motor products in China. The Chinese, it is understood, are interested in trucks and heavy-duty transportation equipment, including diesel locomotives and earthmovers.

GM said it has been exchanging information with Chinese officials through a Japanese trading agency following a visit to Peking last month by GM's chairman, Mr. Thomas A. Murphy, after which he said that GM is "hopeful of doing some business there."

Part of the GM delegation's itinerary included a visit to the Peking motor factory which manufactures the BJ-212 utility vehicle which Peking has tried unsuccessfully to market abroad. Chinese officials are said to want outside help in producing the vehicle with right-hand drive to make it easier to sell abroad, particularly in Hong Kong.

It is not clear whether GM might be interested in setting up a manufacturing operation in China or would merely sell some products or services there. A GM spokesman said the Chinese appear to be primarily interested in GM's providing them with heavy equipment.

Ford, meanwhile, confirmed it held talks in Peking "two or three times" since its chairman, Mr. Henry Ford II, visited China during a Far East tour last June. The most recent round of talks was held "about seven to 10 days ago," a Ford spokesman said, but declined to give any details of the discussions.

A Ford spokesman said the company has been asked by Chinese officials to provide information about its "capabilities, including production of vehicles," and Ford has been doing so through China's Washington representatives.

LancerBoss wins £50m Saudi order

By Hazel Duffy, Industrial Correspondent

LANCERBOSS, the Leighton Buzzard-based lift truck company, has signed a contract with the Saudi Arabian Government which could be worth up to £50m over the next five years.

LancerBoss chairman, Mr. Neville Bowman-Shaw, says it is the first "umbrella" agreement to be signed in Saudi Arabia, and provides for the port authorities in Jeddah, Yenbo and Jizan, and contractors, to specify LancerBoss as the sole supplier of their lift truck requirements for the five-year period.

The first tranche of the contract, comprising 110 large general-purpose trucks valued at £4m, has already been delivered to the west coast ports of Saudi Arabia. The agreement was signed in July but Mr. Bowman-Shaw says his company has only just announced it because "we wanted to be sure that the contract would be implemented first."

The company already does business with Saudi Arabia amounting to several million pounds annually, and says this will be in addition to that work.

The contract provides for discounts to become operative when the number of trucks shipped out to Saudi Arabia goes above the value of £10m annually.

Faked shipping documents, letters of credit cashed for large sums at UK banking centres — but no goods delivered. A special correspondent reports

The bogus bill of lading frauds

MASSIVE FRAUDS are being carried out on an international scale through the loophole of bogus bills of lading in a new and costly form of swindling.

Even moderately-sized companies can easily lose £100,000 at one go and the targets on which some criminal gangs are working could be as high as £5m for each fraud.

The people who run these bogus operations are shrewd, spread their activities across the world—and are very difficult to trap.

Typical of the events which can deceive even the most prudent companies, however much care they take to protect themselves against the misuse of letters of credit, are a number of cases which have just been investigated by Scotland Yard. And these are regarded as only the tip of the iceberg. Lloyd's has compiled a list of more than 50 missing cargoes worth between £5m and £15m which have aroused suspicion among marine underwriters — to the extent that the Salvage Association is checking out their authenticity in distant ports.

The ease with which genuine letters of credit for large sums were cashed with the aid of bogus documents at UK banking centres has caused alarm in financial circles. The traditional use of simple, but accepted, shipping papers for trading purposes may be put in jeopardy if these schemes are repeated.

Very simply, four highly-reputable Scandinavian, Dutch and Belgian trading merchants were caught for nearly $1m by the device of submitting fake records which purported to show that large quantities of goods had been shipped from Hong Kong by two equally reputable shipping lines.

The companies were approached just over three months ago by a marketing company set up in Hong Kong which claimed that it had a wide range of "frustrated goods" available for sale at reasonably cheap prices. Its European principal said he had access to large quantities of bankrupt goods all over the Far East and was going to "systematise" their disposal.

He offered a rag bag of consumer goods. They would be sold through a UK company which was trying to enter the West European market and would be available on letters of credit through normal banking channels. The names of the companies were probably obtained from international trading directories and selected at random from many others to whom a similar mailing list might well have been sent.

Each company agreed quite separately to take between $200,000 and $300,000 worth of goods, on a 60-day credit basis, and opened up normal letters of credit at the London branch of a recognised Spanish bank for this purpose.

Lloyds has compiled a list of more than 50 missing cargoes worth between £5m and £15m which have aroused suspicion among underwriters. Other cases have been investigated by Scotland Yard.

Just why a Spanish bank was chosen at the request of the Hong Kong marketing group is not clear, but the letters of credit were to be met on production of the appropriate bills of lading and other documents by the agent of the UK trading company which was acting for the Hong Kong principals.

The goods were to be put on two merchant ships running on regular cargo lines from Hong Kong to Europe, and were to be loaded at Hong Kong for direct delivery to the recipients, who were prepared to pay for them just as soon as they were satisfied they had been despatched.

True to plan, the London agents in due course presented bills of lading, sanitary certificates, customs documents, and certificates of origin together with other papers to verify the shipments at the UK bank, which under banking rules was legally bound to meet the letters of credit deposited by the intended recipients.

Funds in favour of the Far East exporters were transferred to two Swiss bank accounts in Freiburg, and were drawn out by them, or their representatives, 24 hours later.

But everything was fraudulent —there were no goods, and the bills of lading and other documents had been forged so effectively and so easily, because many of them were copied from normally available stationary, so that no one suspected until too late that they were bogus.

As a result, a merchanting company based in Stockholm lost $275,000, one in The Hague $182,250, one in Brussels $217,000, and another in Copenhagen $280,000.

The same crime syndicate, it is believed, has tricked other European companies out of more than $3m in a Paris-based operation, and tried to get nearly $1m from two British companies which fortunately for them refused to extend credit.

Perkins in major Third World push

BY OUR MOTOR INDUSTRY CORRESPONDENT

PERKINS, the diesel engines group, is negotiating in six of the developing countries about possible local manufacture.

The group does not expect to win all the contracts. But the fact that so many negotiations are going on at the same time is an indication of the intense interest in diesels in the developing world.

Discussions are in train in Colombia which is to put up a components plant to provide its contribution to a diesel engine project organised by the Andean Pact countries.

In Egypt the scheme would be a joint venture with local interests to make tractors and engines.

The Indonesian Government is considering an engine plant also via a joint venture operation, as are the authorities in the Philippines. And in Taiwan the main thrust of the joint venture project would be towards truck manufacture but there is also a diesel engine content.

In addition to all this, Perkins is talking with its present licensee in Pakistan, the Pakistan Tractor Company, about a new joint venture scheme for tractor and engine manufacture.

The group has also just completed a new arrangement in India whereby its existing licensee will now make under license the latest version of Perkins three-cylinder diesel, used mainly to power tractors.

Of the 300,000 engines Perkins sold to organisations outside Massey-Ferguson, its Canadian-based parent group, last year, 10 per cent went to Asia, 8 per cent to the Middle East and Africa and 36 per cent to Latin America. Currently Perkins engines are made in 18 countries outside the UK, in 13 of them by an associated company (in which Perkins has less than 50 per cent of the shares) or by a licensee.

Mr. Roger Clark, director of sales and marketing, says that the group would win perhaps half the contracts it was negotiating. He does not believe Perkins is contributing to overcapacity of diesel engine manufacture because by 1981, or thereabout, current surplus capacity would be used up and there could well be a shortage.

In any case, "most of the countries we are looking at are those where a big growth in demand for diesel engines can be expected."

Fiat and Yugoslavs sign new co-operation accords

BY ALEKSANDAR LEBL BELGRADE, Nov. 26.

FIAT INTENDS to keep its market share in Yugoslavia whereby it accounts for three in four cars manufactured and two in three cars sold here, a radiant Fiat president, Sig. Giovanni Agnelli, announced to-day.

Sig. Agnelli had just signed two agreements with Dr. Milenko Bojanic, general director of the Crvena Zastava works of Kragujevac, the biggest Yugoslav car manufacturer, after being received by President Tito who awarded him, as well as some of his associates, high Yugoslav decorations.

The first agreement covers long-term industrial co-operation in manufacturing Fiat model 128 passenger cars and the second manufacture of one to two tonne delivery vehicles. Crvena Zastava has been manufacturing in Kragujevac under Fiat licence 750 cc cars and will soon start manufacturing Model 127 cars. It has also been manufacturing OM type lorries of four to five tonnes and more recently 1.5 and two tonne lorries. A few 132 model cars have been assembled in Zagreb.

It is hoped that eventually, although this is still in the negotiating stage, that Fiat will cease manufacturing the 128 model and instead take cars of the model produced by Crvena Zastava in exchange for parts, components and finished cars of other models, and sell it through Fiat's world-wide network. Mutual deliveries of Fiat and Crvena Zastava, which have to be balance, will amount to $1.2bn both ways until 1986, starting from some $100m in 1980 to over $200m in 1986.

Other agreements are in the pipeline to cover co-operation in the manufacture of the 131 model, stepped-up assembly of the 132 model, and possibly further co-operation in the commercial vehicles and agricultural machinery fields, etc. Fiat will assist Crvena Zastava in obtaining finance for its development from Italy and will possibly transfer part of the manufacturing equipment.

Charter rates up again

BY LYNTON McLAIN

THE CONTINUED demand from major oil companies for tonnage out of the Gulf forced charter rates up again last week, with vessels for November charters in particularly short supply.

The upward momentum in the market is expected to be maintained next month, with activity dominated by demand for very large and ultra large crude carriers. BP fixed a 227,000-tonne vessel for charter at the end of November from the Gulf to Western ports, at Worldscale 62½. Worldscale 60 was reached for a 350,000-tonne vessel for charter to BP early next month.

The December market is almost certain to pick up impetus this week.

But the long queues of vessels awaiting cargoes at Kharg Island, Iran, are expected to remain for some days before more regular loading patterns are re-established. The queues began with the internal disruption to oil production in the country, but may continue as charters seek vessels for loading before January 1, when oil prices may rise.

Mild weather in Europe last week affected trading in middle oil distillates, but demand is expected to increase as winter approaches, particularly from Mediterranean and Caribbean terminals, where trade was active throughout the week.

In the dry cargo trades, activity on the Atlantic was again down, with little pressure for extra grain tonnage expected. In the Indian Ocean, demand was more steady with rates for medium size bulk carriers up.

On the secondhand ship market, it was reported from Hong Kong that China was now the world's largest purchaser of secondhand ships. The country is buying ships at the rate of two a week.

World Economic Indicators

INDUSTRIAL PRODUCTION

					% change over previous year	Index base year
	Oct. '78	Sept. '78	Aug. '78	Oct. '77		
U.S.	147.2	147.5	146.7	139.2	+5.7	1967=100
	Sept. '78	Aug. '78	July '78	Sept. '77		
UK	109.8	110.9	111.7	106.5	+3.1	1975=100
West Germany	122.2*	100.9	105.3	116.4	+5.0	1970=100
Italy	136.6	72.8	127.5	132.9	+1.9	1970=100
France	128.0	127.0	127.0	125.0	+2.4	1970=100
Japan	124.2	122.9	121.4	115.8	+7.2	1975=100
	Aug. '78	July '78	June '78	Aug. '77		
Belgium	107.8	77.9	116.5	108.7	−0.8	1970=100
Holland	125.0	130.0	127.0	124.0	+0.8	1970=100

* Provisional.

Steel losses may be lower

BY JOHN LLOYD

BRITISH STEEL losses over the first half of this financial year may be a little less than the expected figure of £175m, announced as a target by Sir Charles Villiers, the chairman, earlier in the year.

The half-yearly figures are expected to be announced on Tuesday, after a board meeting. Losses for the corporation last year totalled £443m.

Sir Charles has made it clear that British Steel does not see any upturn in the depressed market for steel, and that the Corporation regards that market as the norm.

In a recent speech to Scottish stockholders, he said "We are convinced that we are now not so much in a recession as in a new 'normal' period when industrial growth will be much slower than it was."

Discipline

Sir Charles re-affirmed that the corporation's costs and production were "under control," and that "barring accidents, we should reach our objective of operating at a rate of break even by March 1980."

He said that the anti-steel crisis plan introduced by Viscount Davignon, the EEC's Industry Commissioner — the so-called Davignon Plan—was working reasonably well, but more discipline was needed.

British Steel is known to be concerned that a number of European steelmakers, particularly German and Belgian companies, are largely ignoring the Davignon guidelines.

"It was no light decision to change our views of the market, to reverse deeply entrenched policies, disappoint whole communities, and frustrate hopes and promises long cherished."

Champagne for strip steel peak

MR. JOHN POWELL, director of Shotton Steel Works promised champagne all round for 80 men who made a world record output figure last week.

One of the biggest and newest galvanising lines, installed in a £44m investment programme, produced 5,800 tonnes of coated strip steel, 1,000 tonnes more than its designed capacity in its third week of operation. Mr. Powell said it was the achievement of the century for the works.

NEB starts five-year plans for improvement

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A BID to improve the long-term management of its companies is being launched by the National Enterprise Board through the development of comprehensive five-year corporate plans.

The board requires all its companies, of which there are more than 50, to submit annual budgets and five-year plans every year. It uses these plans to draw up its own five-year programme for the Department of Industry.

This process has been taken a stage further with the production of an NEB planning booklet which extols the virtues of company planning and reveals how the board expects its companies to operate.

The booklet emphasises that the main value of five-year plans is most likely to be that their preparation generates a "debate about choices and the review of strategies."

The booklet was approved at the weekend by the board's meeting. Members welcomed it as an illustration of the NEB expanding its influence beyond just providing finance for its companies, to encouraging them to improve their organisational arrangements and their management.

The board's top personnel believe that too little long-range planning is done by companies and that too many senior executives spend all their time on short-term problems.

Opportunity

"At its simplest, business planning is an ordered way of deciding where the company is going, and why. It is also a medium of communication, both within the company and with the NEB, and it provides an opportunity, outside of the day-to-day decision-taking, for company management to consider longer-run goals, and to identify significant changes in the business environment," says the booklet.

It emphasises that planning is not a technical exercise which can be fully delegated by company directors. "The board's interest and involvement in the preparation of the plan is essential." A company's chief executive should be personally involved, and should write a one-page summary of the plan.

The board backs up these detailed instructions and advice to its companies by pointing out that it issues the companies with six-monthly economics indicators papers on which the plans should be based. The first paper is issued shortly after the spring budget and is then up-dated in the autumn. Help is also offered to the companies by the board's divisional specialists in different industries, and by its general planning staff.

Each company is then required to submit its annual budget to its own board, and then to the NEB, before the start of a year, along with its up-dated five-year projections based on assessments of the "business environment" and the company's "strengths and weaknesses."

"The NEB's aim is to provide a framework for successful development of the company. The company corporate plan will help in this aim by providing a method of communication about longer-term objectives, a means of measuring performance against previous forecasts and a recorded commitment to action," says the booklet.

Borg-Warner invests £10m in new transmission systems

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

Borg-Warner's UK transmission division, which will just about break even this year after four years of losses, is embarking on a £10m five-year research and development programme.

The group aims in particular to produce a low-cost automatic transmission for the new breed of small, front-wheel-drive cars and expects to have one on the market within five years.

The investment programme also involves the development of microprocessor-controlled automatics. Borg-Warner has already registered several patents and a prototype should be running next year.

The development should lead to a new generation of automatic transmissions, at first for the higher-priced car, which would give "imperceptible shifts" in gear and still better fuel economy.

"We are giving top priority to developing a low-cost automatic transmission that will bring the benefits of two-pedal driving to a whole range of consumers in the small car market where the possibility exists of a significant expansion of automatic sales," said Mr. Peter Whybrow, the transmission division's managing director.

At present just over 10 per cent of cars sold in Britain have automatic transmission. Borg-Warner hopes to see this rise to 18 per cent by 1985 by winning over small-car owners.

More than 90 per cent of Jaguar buyers and 60 to 70 per cent of Rover 3.5 buyers in the UK choose automatics, for example, but the percentage falls to as low as 2 per cent with purchasers of lower-priced cars like the Marina.

Borg-Warner is owned by the Chicago-based organisation of the same name. The British transmission division will this year have sales of about £30m to customers like BL, Volvo, Saab and Chrysler.

Its financial performance was hit by expansion into a new factory at Kenfig in South Wales just before demand was depressed by the fuel crisis and when some major customers—like Ford—started making their own automatic transmissions. As a result Kenfig has never been able to work at full capacity.

There has been a big labour shake-out—25 per cent of the white collar workforce was made redundant—and the total number of employees has dropped from a peak of 2,800 to 2,000.

Thorn plans to invest more in TV output

BY JOHN LLOYD

THORN, the country's biggest colour television set manufacturer may substantially increase its planned £5m investment in TV production next year after talks with the Department of Industry.

The discussions, which are now going on, will determine whether or not the company will receive assistance from the Government to introduce new automation systems, under the 1972 Industry Act. If so, the investment may double to £10m or beyond.

Earlier this year Mullard, the subsidiary of the Dutch company Philips, and the UK's only manufacturer of colour tubes for TV sets, received £4.5m assistance as part of its £24m investment programme.

Earlier this week, Thorn's consumer electronics division said that it intended to push hard to increase its market share in domestic and export markets.

Liberals plan to fight every seat

LIBERALS are to fight every constituency in England in the European elections next June, and hope to contest all seats in Scotland, Wales and Ulster, the Liberal Council meeting in Reading, was told at the weekend.

Mr. Hugh Jones, general secretary, said Liberals would fight as an independent party in co-operation with colleagues in the European Federation of Liberal and Democratic Parties.

A meeting of the executive, which preceded the council meeting, heard that a top level investigation into the use of party funds, has not yet been completed.

Factory sale plan

The Government is considering selling some of the advance factories it has built. It is thought that such sales would raise money to help further stimulate industry to move into development areas.

Free banking

Free banking for customers of National Girobank starts today as part of the Post Office's attack on the traditional banks. Free current accounts are being offered to personal customers who remain in credit.

Conversion contract

The Tyne Ship Repair Group, part of British Shipbuilders, has won a £1.3m contract from the Ministry of Defence to convert a 32,000 dwt product carrier into a fleet oil auxiliary.

Payment campaign

A big campaign advertising easy payment schemes is to be launched by the Electricity Council in an effort to reduce losses resulting from non-payment of bills.

New luggage company

Antler, one of the best known British luggage makers, has set up a jointly owned international luggage company with Hong Kong Carpet Manufacturers.

Shipbuilding problems

The serious trading situation in world shipbuilding is being compounded by protectionist policies and government intervention, Mr. R. A. Huskisson, chairman of Lloyd's Register of Shipping, said in London yesterday.

Ford warranty scheme

Ford Motor dealers are set to woo used-car buyers with the most comprehensive warranty scheme yet. The scheme, which starts to-day, is likely to encourage many customers to forgo a lengthy wait for a new car as dealers catch up on a massive backlog of orders.

UK drags claim

Britain lags lamentably behind most other developed countries in devising ways of assisting and encouraging small independent companies, Mr. W. Poeton, chairman of the Union of Independent Companies, said at the week-end.

FINANCIAL TIMES GROCERY INDEX

Big rise after milk and fruit increases

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE FINANCIAL TIMES grocery basket price index jumped sharply by 1.9 points this month to reach 103.67, the biggest increase since the index was re-modelled last March. The increase was mainly due to fresh fruit and vegetable prices rising rapidly after the very low prices of the summer as well as a substantial rise in dairy products, such as milk and cheese.

The largest absolute rise in the basket was for dairy produce which cost £504.18 in November, compared with £482.52 last month. One of the main causes of this jump was the 1p a pint milk rise on November 5. (Only one of the 25 shops whose prices are used in the survey had slipped in an extra price rise of 2p a pint.)

The overall milk price rise had been made necessary because of the increased cost of milk distribution. Almost half the increase, which amounts to just under 4p a gallon on the wholesale price, has gone to the dairies which distribute the milk. The balance is shared by the Milk Marketing Boards and farmers, who face increased feed costs during the winter. But no further milk price rise is due until next autumn.

The dairy sector of the index also rose because of price increases for eggs and cheese, two foods which had been relatively cheap for some time. Eggs have risen by about 3p or 4p a half-dozen in most shops and the prospect is for further price rises to ease the egg producers' cash flow problem.

Cheese also has risen in most cases by between 2p and 4p a pound as stocks have been reduced and further price rises are likely as stocks are further reduced in the pre-Christmas food sales.

Butter has dropped slightly in price however and the EEC Christmas butter subsidy is expected to keep prices down until the New Year.

The normal butter subsidy is £145.86 per metric ton and the special subsidy for Christmas is an extra £126.63 per ton. But the normal subsidy is due to go by next March, although the trade expects a new deal to be negotiated before then.

Fresh fruit and vegetables was another part of the grocery basket to show a marked change in November, rising from £169.39 to £182.52. Tomatoes showed the most dramatic price rises by between 10p and 20p more in many stores to go over 50p a pound in price. Lettuces were up in most shops by about 3p each, while cabbages and cauliflowers were generally more expensive, although some fluctuations were apparent.

Elsewhere in the basket, frozen foods were also up in price. Frozen peas and beans by 1p for a small packet and frozen chickens by as much as 10p a pound. Fresh meat prices were more stable, with cheaper New Zealand lamb balanced by dearer English beef.

A number of stores selling tea-bags reduced the price substantially in November.

It was also clear that most stores were not benefiting from the bread strike and raising bread prices. Most bread prices were normal, where bread was available.

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THE FINANCIAL TIMES SHOPPING BASKET
NOVEMBER 1978

	November £	October £
Dairy produce	504.18	482.52
Sugar, tea coffee, soft drinks	175.52	177.28
Bread, flour, cereals	238.50	237.55
Preserves and dry groceries	86.12	86.54
Sauces and pickles	42.01	41.62
Canned goods	156.17	156.28
Frozen foods	191.93	187.30
Meat, bacon, etc. (fresh)	445.78	442.66
Fruit and vegetables	182.52	169.39
Non-foods	180.50	182.64
Total	2,203.23	2,163.78

Index for November: 103.67

1978: March 100; April 101.27; May 103.11; June 104.18; July 102.41; August 101.89; September 101.90; October 101.77; November 103.67.

Trade penalties 'too lenient'

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

Tougher penalties should be imposed on companies which fail to register a restrictive trade practice agreement with the Office of Fair Trading, argues the Consumers' Association in evidence to a Government review of restrictive practice legislation.

The Association, which has almost 600,000 subscribers to its Which? magazines, claims that the present law on restrictive practices fails to deal adequately with the problem of unregistered trade agreements.

Under the 1976 Restrictive Trade Practices Act, all agreements covering collusion on prices and other areas have to be put on a public register. If they are registered within a certain time, the agreement can continue until the Restrictive Trade Practices Court rules otherwise.

But the Consumers' Association argues that the present law "deals too lightly with parties to an agreement which is found to be operating without being on the register." It believes that the discovery of unregistered agreements "ought to lead to the imposition of a penalty, possibly from the Restrictive Practices Court, on the initiative of the Director-General of Fair Trading and in a form of what we would call 'civil penalties'."

The Association also calls for greater powers and resources to be given to the OFT to seek out unregistered agreements.

"In practice, it argues, "many agreements—or at least the offending parts of them—are abandoned once the OFT begins unregistered agreements.

The Association says that many agreements, though registered are slow to come under detailed examination. "Other agreements managed to operate without even complying with the requirement to register at all."

The Government committee reviewing the Restrictive Trade Practice legislation is headed by Mr. Hans Leisner, a senior Government economic adviser. The committee has already reviewed competition policy and its report on restrictive trade practices is due next year. The Association says in its evidence that it believes a "vigorous competition policy is more likely to have an impact on the rate of inflation than generalised price controls."

But it was concerned at the growing tendency for the demand of the Government's "industrial strategy" to override the aims of competition policy both at the UK and EEC level.

Economic committee for textiles sector

BY RHYS DAVID, TEXTILES CORRESPONDENT

THE Lancashire cotton and allied textiles sector is understood to have succeeded in its application for its own economic development committee.

No formal reply has been made yet to the request, made jointly by the industry's employers and unions last July, but a decision allowing a committee is expected to be announced when the National Economic Development Office holds its annual review of the workings of the committees early next year.

The Lancashire industry, which employs about 70,000 people, so far has had only informal links with Government, through a committee consisting of civil servants, industry and union representatives.

There have been mixed views in the past among employers on whether more formal links would be of value in helping to deal with the sector's problems.

The industry has become concerned recently, however, at being on the fringes of the Government's industrial strategy—unlike other major textile sectors, including wool textiles, knitting, clothing and man-made fibres, all of which have their own economic development committees or sector working parties.

Considerable rationalisation has already taken place within the Lancashire sector under pressure from imports but important decisions still have to be taken on the direction in which Lancashire's textiles should develop.

The EEC is beginning to formulate an industrial policy for textiles and this has been a factor in persuading the Lancashire industry of the need for improved machinery to develop its case.

The industry's problems were outlined in Brussels recently by a delegation from 13 northern local authorities, which represent a population of nearly 3m.

The delegation met Mr. Roy Jenkins, President of the European Commission, and Mr. Tran van Thinh, the Community's leading textile trade negotiator, to draw attention to the loss of jobs — roughly 7,000 over the past year — and to impress the need for EEC policies in both the commercial and industrial field to be designed to ensure the survival of the textile industry in the Community.

The Community's response apparently has been that while there remains a good chance of the current GATT multi-fibre arrangement being extended beyond its present 1981 deadline, the EEC is less inclined to ask—as in the present round — for substantial derogations to enable big restrictions on import growth to be introduced.

This would imply a return to import growth rates of at least 6 per cent in the next MFA round.

Continued problems within European textiles as a whole are apparent in figures published by the International Textile Manufacturers Federation (formerly Ifcati).

Its latest report on textile trade in the third quarter shows a general decline in spinning and weaving output in Europe, with export business also described as dull. Some improvement in the fourth quarter of 1978 is forecast, however.

In the UK, figures from the Textiles Statistics Bureau show that yarn production in September was down 1.5 per cent on the previous month. Output in the first nine months of 1978 reached 123.7m kg compared with 133m kg in the same period last year.

Woven cloth production reached 623.9m metres compared with 648.9m metres in the first nine months of last year.

● The Shirley Institute, the Manchester-based research centre, is holding a one-day conference next February to discuss developments in the search for low-cost, high-speed processes to make continuous-filament yarns with the comfort and other properties of natural-fibre spun yarns.

General Accident to increase household premiums

BY ERIC SHORT

NEARLY one million people who insure their household goods, contents and valuables with General Accident face a rise in premiums in the new year.

The Scottish-based company, a leading household insurer in the UK, has announced a complete revision of its premiums rates for household contents and personal valuables, which has resulted in substantial increases. These take effect on Friday, December 1, for all new business and from February 1, 1979 for existing contracts.

The company markets four types of household contents policies. These vary from one where the amount paid on a claim is little more than the second-hand value of the items involved (lost, stolen or damaged) to one where the complete cost of replacing the item is paid.

The rates increase progressively, and the company has three scales according to geographical location — London postal districts, remaining Greater London Council districts, and the rest of the UK.

The basic premium rate for the limited cover contract, applicable to districts outside the GLC, is lifted to 30p per £100 sum insured from 25p.

This rate had remained unchanged for over 30 years and General Accident is following the lead given by the Sun Alliance Group in departing from this rate. Other rates are increased—the highest rate being for maximum cover in the London postal districts which is now £1 per cent.

The effects of this change can be seen from the example of a combined policy on a house insuring the buildings for £20,000, the contents for £6,000 and valuables for £1,000.

Under the changes an individual in the London postal area will now pay £110 a year, instead of £95; elsewhere in the GLC £89 against £80, and in the rest of the UK £73 instead of £62.

The reason behind the move by General Accident is an attempt to reduce the heavy losses being made on its UK householder account. This has moved in the last two years from profit to loss. The company lost £4.6m in 1977.

The endemic increase in thefts, especially in the London area, has sent claim costs soaring and the company has restructured its rating system to reflect these higher number of thefts.

It has also taken the Edgware, Stanmore and Wembley areas out of other GLC districts and put them in the London postal districts for rating purposes because of the increased incidence of thefts in these areas.

'Another leap in oil price unlikely'

Financial Times Reporter

CRUDE OIL prices are unlikely to rise by more than 1 to 2 per cent above inflation rates over the next 10 years, according to Economic Models, the London-based forecasting consultancy.

If economic growth in the OECD countries averages no more than 3.5 per cent a year this would increase the cost of crude oil to about $27.50 per barrel at current prices by 1987.

Next year will be an exception, says the forecast, in that the expected rise of 10 per cent in oil prices is assumed to include a "premium" to take account of the decline in the value of the U.S. dollar.

Crude oil imports by the U.S., Japan, Canada and the six largest EEC countries will have risen to about 31.7m barrels a day in 1987 compared with 23.1m barrels a day last year.

Economic Models does not envisage any crisis in oil supplies with such an economic growth rate over the next 10 years. Total demand for OPEC exports by 1987 should be in the order of 43.1m barrels a day.

OPEC's forecast production capacity of 50m barrels a day by that date leaves room to meet this demand as well as its domestic consumption of about 5m barrels a day.

Dock site likely for News International

BY JOHN LLOYD

NEWS INTERNATIONAL, publisher of the Sun and the News of the World, is likely to locate its headquarters at the disused London Docks, in the London borough of Tower Hamlets, following breakdown of negotiations with Camden Council for a site behind St. Pancras station.

The company has applied for planning permission for 1.1m sq ft of office space on a 12-acre site. Mr. Bert Hardy, the company's chief executive, said last week that if Tower Hamlets could get permission, work could start in January.

Tower Hamlets said that it was sure that it could act quickly. The planning committee still had to make a decision, but it was thought likely that it would approve it.

News International will employ between 3,000 and 4,000 people at the new headquarters, many of whom it intends to recruit locally. Tower Hamlets has some of the highest unemployment figures in the South East.

The cost of the new development is unknown. News International estimated that the Camden project would have cost about £22m, but Mr. Hardy said that the Tower Hamlets building was not comparable. It is believed that the costs may be higher.

Camden Council had delayed a decision on the project for almost a year, while the ruling Labour group was divided over the desirability of News International—whose newspapers tend to support the Conservative Party—coming to Camden.

However, a decision in its favour was taken last month—but the space offered was reduced, while the rent remained the same.

Mr. Roy Shaw, the Camden council leader, said that he had asked for negotiations with Mr. Hardy, but had not had a reply.

News International, controlled by Mr. Rupert Murdoch, has sold 2.6m shares in London Weekend Television for about £4.6m.

The sale was made at least partly because of fears that if it was not done voluntarily it could be under compulsion later.

The Annan Report on the future of broadcasting recommended that no newspaper should own more than 25 per cent of a television company. News International held 39.7 per cent of the non-voting A Ordinary shares but this sale has reduced the percentage to just under the suggested limit.

This limit, if imposed, would not be binding until at least August, 1979, when the current television licences expire, and possibly later.

Last week provided a good opportunity for the sale because London Weekend shares were buoyed up by favourable reaction to recent results and the television company's coup in obtaining an exclusive contract to show Football League matches.

Cazenove, stockbrokers handling the sale, had no trouble in placing the shares with just under 50 institutions and unit trust funds at about 137p a share.

£1.5bn cut 'needed in public borrowing'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

BORROWING by the public sector in the next financial year (1979-80) will have to be reduced by between £1.5bn and £2.25bn, below currently expected levels if the Government's fiscal policy and monetary target are to be made consistent, according to economists from the London Business School.

In the latest issue of the school's Economic Outlook, published to-day, Mr. Terry Burns and Dr. Alan Budd argue that there is still a gap between the economic objectives of Mr. Denis Healey, the Chancellor, and his actions in spite of the recent rise in interest rates.

They maintain that if the broadly defined money supply, including cash and bank current and seven-day deposit accounts, is to increase by the middle of the 8-12 per cent target range, borrowing by the public sector will have to be held at less than £7bn, in 1979-80. This compares with the Treasury's recent estimate of £8.5bn for the period and the Business School's own projection of £9.2bn.

Consequently, the authors maintain that "some fiscal deflation will be required to make fiscal and monetary policy consistent."

Moreover, they say that the growth of the money supply should be at the lower end of the official target range if the Government wants to succeed in its aim of holding the exchange rate at about its present level.

The publication maintains that the money supply has grown too rapidly in the past 12 months for there to be any hope of containing the increase in earnings to 7 per cent in the present pay round, as the Government hopes.

British Gas wins contract

BY KEVIN DONE, ENERGY CORRESPONDENT

BRITISH GAS has won a consultancy contract in Algeria to advise on automation of the Algerian gas grid and telecommunications.

A team from East Midlands Gas will carry out an engineering study for the development of computerised control of the Algerian gas industry's transmission and distribution network.

The contract follows an earlier British Gas success in Egypt last month, when it was engaged as a consultant for Egypt's first scheme to develop natural gas for household use.

The Algerian gas network has been extended rapidly over the past few years but is still controlled manually. The British Gas study is expected to take about five months to complete.

Union to press claim for spreading work at British Steel

BY CHRISTIAN TYLER, LABOUR EDITOR

THE BIGGEST steel union will this week put forward a wage claim designed to spread work in the crisis-ridden British Steel Corporation and give its members a pay rise in line with the present rate of inflation.

Leaders of the Iron and Steel Trades Confederation are asking for a deal worth 12½ per cent. They want an 8 per cent pay rise and 4½ per cent from productivity bargaining. But this second element would be taken in the form of a shorter working week, Mr. Bill Sirs, general secretary, said yesterday.

At the same time, the ISTC is preparing an instruction that no member in BSC should work more than eight hours a week overtime. It is to give the Corporation warning so that work can be rescheduled.

Mr. Sirs said that overtime working had increased in recent years, in spite of the big reduction in jobs, and was running at an average of 13 per cent. Very large numbers of extra hours were being worked in some areas.

The union will insist that the contribution to productivity—bulk of the saving due to its especially through the loss of jobs—should be returned to the workers themselves.

Mr. Sirs has complained to Mr. Eric Varley, Industry Secretary, about attempts by civil servants to split the proceeds of such a saving.

This, he said, was one of the reasons why he had voted against the proposed TUC-Government pact on pay and inflation and had called for the vote on the TUC general council that led to its failure.

He said that civil servants had "interfered" with productivity bargaining by saying that no more than 50 per cent of the savings should go to the workers.

The proposed TUC-Government statement suggested a three-way split between workers, investment and consumers.

Of the new claim, he said: "It will be seen that we are still following very constructively the needs of the industry and the country, and this indeed will give to the Government the help it is seeking in any forthcoming elections." Certain other unions in the industry would be lodging much bigger demands, he said.

BSC's reaction to the claim for a reduction in standard hours will be closely watched. Only the Post Office, in the present round, has conceded a cut in the working week after industrial action by PO engineers and a special inquiry. The reduction is said to be virtually costless.

Talks today on shipyard dispute

SHOP STEWARDS from shipyards on the Tyne and Tees are holding talks today on a dispute which is threatening a £18m order destined for Swan Hunter's Tyne yard.

The stewards are travelling to the Haverton Hill yard on Teesside where draughtsmen are refusing to release detailed drawings for a container ship.

There is concern that the order for the ship will be transferred to West Germany unless the drawings are handed over by Friday. They are needed for preparatory work for the 16,000-ton refrigerated vessel to be built for the Bank and Savill Line.

The Tees draughtsmen are refusing to hand over the drawings in protest against more than 300 redundancies at Haverton Hill. They want British Shipbuilders to transfer one of three Polish ship orders from the neighbouring Smith's Dock shipyard.

Building and Civil Engineering

Big sewerage and water schemes

CAMP DRESSER and McKee, Inc., of Boston and Black and Veatch International, Kansas City, are the two U.S. companies that will act as consultants on a second study of the Egyptian Government's project for upgrading Cairo's sewage network.

Their appointment is seen as a condition of the £50m aid pledged to the scheme by the United States Agency for International Development, and they will act in conjunction with John Taylor and Sons and Binnie and Partners who last September presented the Egyptian Ministry of Housing and Reconstruction with a six volume report containing detailed recommendations and proposals for the proposal.

Britain has already offered £50m via the Ministry for Overseas Development and the first five-year phase, expected to commence early next year, is expected to cost around £300m.

Following the UK and U.S. grants, Egyptian officials state that the two countries are to share the bulk of the work which is to be put out to international tender. The long-term cost of the scheme, to the end of the century is presently estimated to be £1,500m.

Further east, in Pakistan the Hyderabad Development Authority (Government of Sind) is also involved with the problem of sewage and the rehabilitation of its water supply network.

By the year 2001 the capacity of the water supply for the City of Hyderabad must be increased from its present 64,000 cubic metres a day to 2m cubic metres a day to cater for a population which, by that year, is expected to reach 2.3m.

Apart from extending the existing water supply network, the design and supervision of the construction of two sewage treatment plants will also be undertaken by Balfours, the south-east London-based consulting engineers.

At present, the city has no sewage treatment facility, and little sewerage. It is planned to divide Hyderabad into two drainage catchment areas, each draining to separate treatment works.

The project includes two oxidation pond treatment plants, eight pumping stations, and 280 km of sewerage — the final effluent being utilised for agricultural irrigation.

The cost of phase one of the scheme is estimated at £20m, and the contract was awarded to Balfours by the Hyderabad Development Authority, Government of Sind.

£47m bank in Nigeria

INTERNATIONAL FIRMS will soon be invited to submit prequalification letters from which a selected six or eight companies will be chosen for a 60m Naira (about £47m) office development for the Central Bank of Nigeria in Lagos.

Integrated Partnership (Lagos), in association with Widnell and Trollope Nigeria, has been appointed as quantity surveyor and construction cost consultant for the 34-storey building which will be one of the tallest in Africa.

The project is designed by Interstate Architects (Nigeria) and consulting engineer is the Ove Arup Partnership.

Tenders are due to be returned by May 1 next year.

Steel on way to Egypt

CLEVELAND Bridge and Engineering (Middle East) has just sent a first shipment of 700 tonnes of fabricated steel from its Jebel Ali works in Dubai to Egypt. It is the first instalment of an order for 4,700 tonnes for the Plaza Development in Cairo.

Cleveland Bridge is sub-contractor to Blaze and Hill, is carrying out a £4.1m contract for the fabrication and erection of the structural steel work and cladding for this project. Since the Jebel Ali works were opened by the Ruler of Dubai during the summer, production has developed to a six-day double shift per week and the company is involved in erection contracts in half a dozen Middle East countries.

Thames flood defences

THE Southern Water Authority (total), with the Greater London Council has awarded a contract to John Howard and Co for all the civil engineering works in connection with the Dartford creek barrier which forms part of the Thames Tidal Defence Scheme.

The contract, valued at approximately £4.5m, is for completion in 96 weeks. Work involves the construction of the foundations and towers to accommodate a 30-metre clear span fabricated steelwork vertical drop gate.

The two main pier foundations will be constructed within sheet piled coffer-dams, 20 metres x 50 metres. The main foundations, supported on a 2-metre-thick contiguous plan, will be of square cellular construction in reinforced concrete. The cells, 5 metres x 5 metres x 12 metres high, will be filled with granular material and then decked over with concrete slabs.

The towers of reinforced concrete will be 16 metres x 5 metres x 19 metres high. Stairs and platforms will be constructed for access to the top where the machine room for controlling the gate will be located.

Other works included in the contract are extensive piling to bank wall cut-offs, fendering systems to both piers, miscellaneous roadworks, drainage and services.

£4m for Miller Buckley

CONTRACTS FOR £4m for work in the southern region have gone to Miller Buckley Construction which has recently opened an area office in Winchester, Hants.

The largest, valued at £2.2m, is an office block for the Department of the Environment at Portsmouth Naval Base.

Another contract in the south is for the temporary Crown Court at Wood Green, London costing £900,000. The Department of the Environment has awarded a further £663,000 contract for a telephone exchange at Basingstoke, Hants.

The company will also undertake office extensions and alterations at Camberley, Surrey for Ansafone.

Warehouse and offices

BERNARD Sunley and Sons has begun a £3.4m contract to construct a warehouse and office development in North Circular Road, London, NW2, for Ancroft Investments.

The contract is for three single-storey warehouse units with two and three-storey office accommodation. The scheme will provide a floor area of 205,000 sq ft to be divided into various lettable units. Completion is planned for March 1980. The architect is Alan Cooke Associates.

Work at Heathrow

A NEW three-storey office block is to be built for the British Airports Authority at Heathrow under a further contract worth more than £2m awarded to John Laing Construction. The company is already carrying out extensive work at Terminal 2 as part of a scheme to improve passenger services at Heathrow.

Under this contract an office block with industrial bays at ground-floor level is to be built close to Terminal 3. It will be a concrete-cased steel framed building on concrete pad foundations, clad in curtain walling with aluminium windows and facing brickwork. It will have a total floor area of about 51,700 sq ft (4,800 square metres).

Work on the site, which will include re-aligning an airport roadway and other external works, has just started and is due for completion early in 1980.

Nottingham housing project

DEVELOPMENT FOR private residential purposes of a local authority-owned site of nearly 13 acres on the west side of Nuthall Road, Nottingham, is to be undertaken by William Leech (Midlands).

The £2m scheme calls for nearly 120 detached homes of about six different types. The builders hope to make a start early in the New Year and to complete the whole project in two and a half years.

Lovell gets work worth over £1.8m

LOVELL Construction Group has been awarded four contracts totalling more than £1.8m.

The largest (£597,000) is for the refurbishment and renovation of houses in Sand Road, Chelsea, for the London Borough of Kensington and Chelsea.

Another contract is at the Paddocks Clinic, Aylesbury Road, Princes Risborough, Bucks, for Vaddan House. About £552,000 is to be spent on extensions and alterations.

For the London Borough of Lewisham the company is to build an amenity centre at Angus Street, New Cross, at a cost of £345,069, while for the Wellcome Foundation at Crewe Hall, Crewe, Cheshire, a new single-storey process building is to be erected and some existing units extended at a cost of £330,000.

£6m award for new factories

CONSTRUCTION OF 63 factory units for Milton Keynes Development Corporation at Blakelands North is to be started soon by Robert Marriott (French Kier Group).

The £4.6m contract calls for concrete foundations and floors with steel frame superstructures. Some of the units will include two-storey offices. Total floor area of the new factories will be 29,000 square metres.

Atkins busy in W. Algeria

THE WS Atkins Group has been awarded a £3½m consultancy commission by the Algerian Ministry of Higher Education and Scientific Research to design and supervise the construction of an 800-bed teaching hospital at Tlemcen in western Algeria.

This follows the announcement in May of a commission for design and construction supervision of a university complex at Tlemcen to cater for 8,000 students, and brings to over £100m the present capital value of work at this location for which Atkins is now responsible.

The substantial architectural work involved in the latest project will be carried out by Atkins' in-house architectural practice, AG Sheppard Fidler and Associates, working in collaboration with Cusdin, Burden and Howitt. Gleeds are the quantity surveyors.

The teaching hospital is expected to take eight years to complete, with construction planned to start in 1981.

£8.2m hospital in Chester

BOVIS CONSTRUCTION has been awarded the contract to build Chester District General Hospital, shown above, which is expected to become the first of the advanced "nucleus" hospitals to open in Britain.

Worth approximately £8.2m, at today's values, the contract follows the successful completion earlier this year of the major part of the £41m Royal Liverpool Teaching Hospital, which was handed over to the Mersey Regional Health Authority in time for the first patient intake in October 1978.

The new hospital, which represents the first major management contract in the public health sector, is also for the Mersey Regional Health Authority. It will be built at Liverpool Road, Chester, on the site of the West Cheshire hospital and is programmed for completion in October 1981.

The contract is for Phase 1, which will provide a 160-bed unit with all main service departments, including operating theatres, X-ray, pharmacy, pathology, accident and emergency departments. The building will have a floor area of 14,000 sq. metres in two main storeys. An "isolated" third storey will accommodate plant rooms.

Structurally, it will comprise a concrete frame, clad with timber panels and a brick infill up to first floor. Above first floor level, the cladding will be tile hanging. The roof will be of timber construction, tiled over the templates, with a flat inverted roof over the path labs and services area.

The majority of external walls and partitions will be dry-lined. The building will have suspended ceilings and the floor will be screeded with a vinyl finish.

Industrial buildings

WORK IN the Midlands, South Wales, the Home Counties and the north-west, has gone to R. M. Douglas Construction, part of the Douglas Group.

The company will build 25 factories at Halesfield for the Telford Development Corporation, valued in excess of £1.15m. Two advance factories at Russan, Marches for the Welsh Development Agency, bring in more than £1m, and the company is undertaking development at Barry for BP Chemicals, and a factory for Rompley at Ffforestfach.

Also included in recent contracts is one for £900,000 for a telephone engineering centre at Swansea for the Wales and Marches Telecommunications Board.

Wates £¾m jobs

CONTRACTS IN excess of £¾m have been awarded to Wates Special Works. The company has negotiated further office refurbishment work at the eastern end of Oxford Street London for the London and Manchester Assurance Company.

New central heating and hot water plant, with connections to existing systems on the six storeys of a building known as Evelyn House, form part of the 42 week contract on which work has already commenced.

Work is due to commence this month at High Road, Balham, for the McDonalds restaurant chain, when an existing three storey building will be converted. Work includes an extension to house freezer, cooler and food preparation areas.

Breakers need less power

CONVENTIONAL pneumatic paving breakers incorporate a valve of the spool or plate type. The spool type, while more expensive to produce than the plate type, is generally more efficient in air consumption, but past attempts to combine the energy saving characteristics of spool valves with the cost benefits inherent in plate valves have failed because the physical characteristics of present designs have suffered from premature failure due to fatigue at the interface between spool and plate sections.

This has been caused by the high impact loads to which the valves are subjected—up to 3,000 times per minute as they reciprocate between the valve chest sealing faces.

John Macdonald and Co. of East Kilbride, has made a breakthrough in this sector after over a decade of development work. It solves the foregoing problems and provides the heart of a new range of paving breakers; the 'Mac-d' range.

Energy savings up to 40 per cent have enabled Macdonald to make the claim that they can actually run two 'Mac-d' units for the price of one conventional breaker.

The Mac-d design (patent applied for) enables Macdonald to retain the advantages of complete drop-forged construction with low vibration and low noise output.

Building Society Office

A NEW branch office for the Leeds Permanent Building Society is to be built in Godwin Street, Bradford, under a contract for £750,000 won by the Totty Building Group.

The four-storey building, in local Yorkshire stone, will include a banking hall and offices while on the ground floor there will be two shop units.

Cubitts in Midlands

IMPROVEMENTS TO the Birmingham County Court in Newton Street, under a £693,000 contract placed by the Property Services Agency of the Department of the Environment, are to be carried out by Cubitts Midlands.

Alterations include new heating, air conditioning, electrical and water installations and completion is planned for mid-1980.

Under another recent contract Holland, Hannen & Cubitts (Midlands), also a member of the Tarmac Group, is to build a 2,120 square metre supermarket at Kingswinford, West Midlands, for International Stores. The £345,000 contract calls for the basic building shell comprising a single storey sales area, with administrative offices and storage to the rear on a first floor.

A third Midlands contract at Lichfield Street, Wolverhampton, covers the refurbishing of offices for the Midshires Building Society. The Design Group for Industry will provide all professional services.

Gives good finish

WAX-FACED chipboard which can be employed as re-usable shuttering is being marketed under the name Scotform.

It is stated that providing a suitable mould release agent is used a predictable and repeatable finish can be obtained. The shuttering is said to leave the concrete surface exceptionally clean and internal walls are left almost ready to paint and to be free from grain imprinting and splinters.

Road link in Telford

COMPLETION of a £1.3m road link on which work is just beginning in Telford, Salop, is expected by October next year. Telford Development Corporation has awarded the contract to Galliford and Sons, of Hinckley, Leics.

The new stretch of road will connect Wharf roundabout with the Randley interchange, providing direct access to the centre of the town from the eastern approach, with an eventual further link to the proposed M.54.

Material producers' campaign

THOUGH THE controversial "CABIN" anti-nationalisation campaign now seems to be taking a temporary breather, the building material producers are not letting up in their own "low profile" fight against the Labour Party's proposals.

The materials sector has throughout 1978 been conducting its campaign through the Building Materials Information Committee (BEEMIC), part of the National Council of Building Material Producers. While it agrees wholeheartedly with the CABIN opposition to any form of state-ownership it has been keen to put its own case in a rather different way.

No free balloons and stickers for BEEMIC (which admits it hasn't the resources of CABIN), but a steady, behind-the-scenes programme of education pointed not so much at the general public but at people like the authors of the original Labour Party document which has provoked all the fuss—"The Little Brown Book" as it is best known within the industry. The campaign of "reasoned persuasion" also extends, like that of CABIN, to trade union officials, MPs and Ministers.

Basil Gwyn, chairman of the BEEMIC management committee, says the material producers felt the need for their own defence strategy—based on their well-documented report "The Need for Building Materials"—because much of the Labour document concerned itself with what it believed were the failings on the contracting side of the industry, including areas like safety and job security, and they wished to concentrate on the areas directly affecting them.

Mr. Gwyn, who says, the BEEMIC approach is certainly "less political" than CABIN, admits that all is not well with the industry but is adamant that nationalisation is not the answer. BEEMIC is heartened to find that the Labour document had not attracted a great deal of support among Ministers and MPs of all parties but it is continuing in its efforts to make sure the proposals don't get off the ground.

On the positive side, the materials men are calling for a steady increase in work for the industry—"we could not cope with a big upsurge because of the drastic cuts in capacity forced on us by the recession"—a restoration of some of the capital spending previously lopped off and the introduction of allowances for industry to generate investment in buildings and not just in plant.

MICHAEL CASSELL

Four hours protection from fire

FOLLOWING tests at the Fire Research Station, Boreham Wood, Herts, TAC Sprayed Limpet mineral fibre has been approved for fire protection periods of up to four hours. The approval applies to steel where protection is required on three or four sides of beams and columns.

The material is a mix of inorganic binders and refined mineral fibre. It can be sprayed on flat or shaped surfaces and thicknesses up to 200mm can be achieved in one operation. It will withstand temperatures up to 650 degrees C, says the manufacturers, TAC Construction Materials which is a Turner and Newall company.

Bison work in the North

THE SCOTTISH division of the Bison Group, Bison Concrete (Scotland) is undertaking three shop and office developments in Aberdeen, Glasgow and Sunderland for a total value of nearly £834,000.

The two-storey office block in Aberdeen will be built for British Brown Boveri for £76,100.

In Glasgow, Tennent Caledonian Breweries is to have offices under a contract worth £213,300.

A commercial development of offices and shops is being carried out in Sunderland for Barratt Developments (Properties) under a £489,500 contract.

IN BRIEF

● The English Industrial Estates Corporation has announced that work has started on an advance factory of 10,000 sq ft for the Department of Industry at Pilsworth Road, Bury, Gt. Manchester, under a contract worth about £195,000 awarded to Tarmac Construction.

● Export orders for three warehouses, together worth in excess of £1m, have been placed with Fairmile Engineering by a food distributing company in Saudia Arabia. All three structures are single-storey portal-framed buildings.

● Four contracts for piling and civil works, with a total value of £250,000, have been awarded to West's Piling and Construction Company, part of the WGI engineering group. The projects are on the Isle of Grain and at Littlebrook, Kent, and in London, at Lambeth and the Surrey Docks.

● Mechanical, electrical and lift services for a "wheelchair hotel" in Llandudno are to be provided under a £400,000 contract awarded to Donald Smith Seymour and Rooley. Work has begun on converting and extending the West Shore Hotel for its new use under the auspices of the John Grooms Association for the Disabled.

● Construction of six different facilities at Priory School, Weston-super-Mare, will be undertaken by Marples Ridgway under a £400,000 contract. Called for are a 1,083 square metres classroom block, 190 square metres science block and kitchen and dining room.

● Cradle Runways, of Dartford, Kent, has manufactured and installed three electrically operated roof trolleys for exterior glass cleaning at the Diamond Trading Centre, 17, Charterhouse Street, London EC1. The main contractor is Trollope and Colls.

● The London Borough of Camden has awarded a £625,000 contract to Willment Bros. for the construction of three floors of offices over an existing single-storey warehouse and showrooms in West End Lane, Hampstead, London.

CONTRACTS AND TENDERS

If you work all hours, Sony gives you something you have always wanted. More hours.

Now you don't have to make a choice between spending time working and spending time watching television.

You can do both, with the aid of the new Sony Betamax home video recorder.

It adds up to three and a quarter hours to your day by allowing you to watch interesting television that you otherwise would have missed.

All you have to do is connect Betamax into the back of your colour television and your aerial into the back of Betamax.

Then, before you go to work, set the built-in digital clock to record the programme of your choice.

While you're beavering away Betamax will switch itself on, record up to three and a quarter hours of television, and then switch itself off.

You can set your Betamax in advance to record a programme that's on up to 72 hours later. Enough time to have a business dinner on the one hand, or a trip to Brussels on the other.

Betamax will even record off one channel as you are watching another. Happily this means you can enjoy the programmes you want to watch, without missing the programmes you ought to watch.

Of course there are things on television you can well do without. Who wants to watch even the funniest commercials over and over again?

Here's where the twenty years of experience that Sony have gained in the commercial video field comes into its own.

Betamax is supplied with a remote control switch that allows you to edit out commercials from the comfort of your armchair.

It is also extremely easy to maintain.

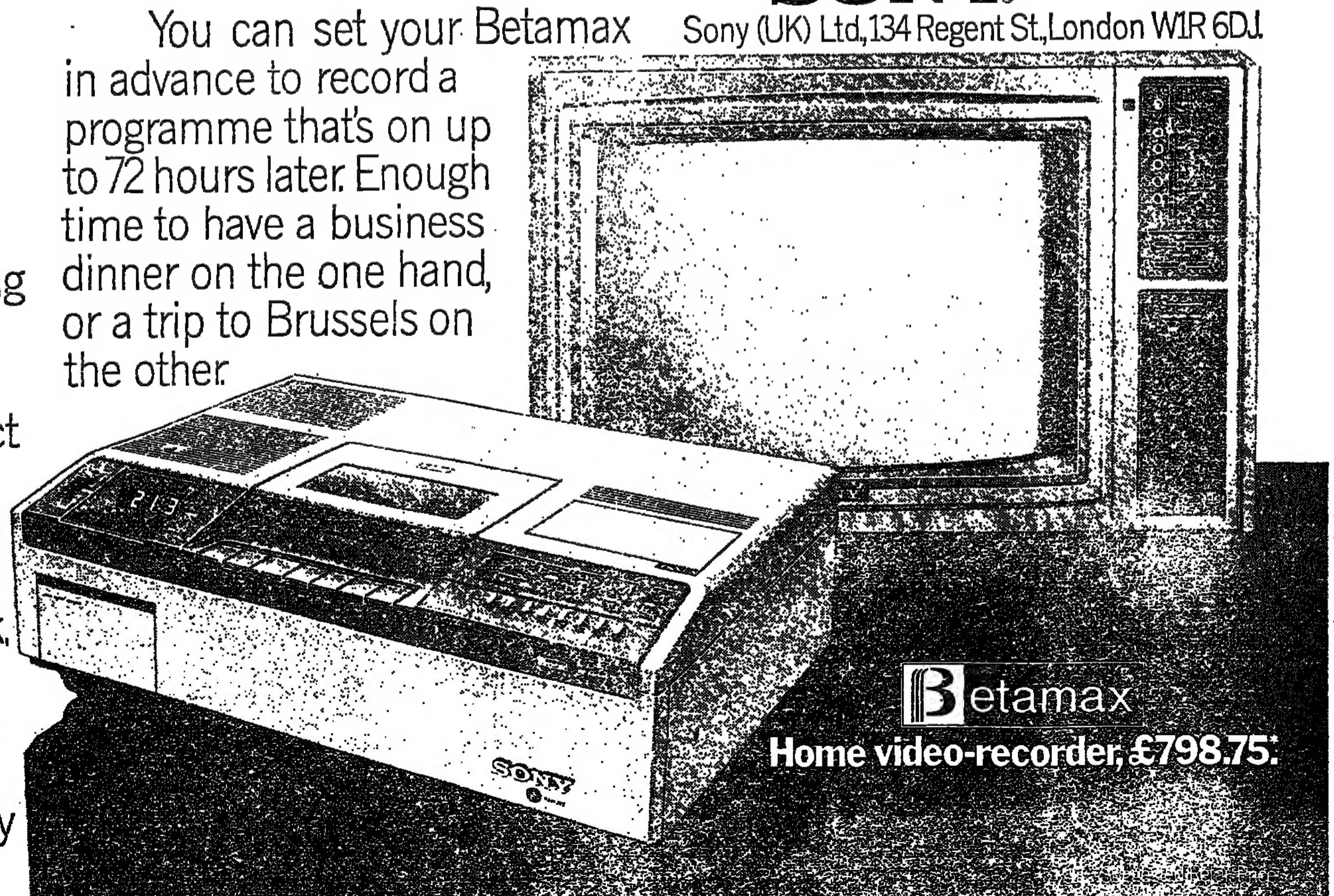
And it's backed up by a Sony service network exclusively created for video recorders.

If you have ever complained that you never seem to have the time to watch television please give this number a ring: 01-434 1713.

The person at the other end of the line will be only too pleased to tell you more about the machine that makes time for you.

SONY

Sony (UK) Ltd, 134 Regent St, London W1R 6DJ.



It is unlawful to record BBC or IBA broadcasts otherwise than for private purposes; and any material which is the subject of independently owned copyright may only be reproduced with the consent of the copyright owner. If you are in any doubt as to your rights and obligations, you should refer to the Copyright Act 1956.

PUBLIC NOTICE

London Borough of HOUNSLOW
Variable Rate Stock 1982

For the six months from 25th November 1978 to 25th May 1979 the interest rate on the above stock will be 12.75% per annum
Midland Bank Limited

COMPANY NOTICE

BANK HANDLOWY W. WARSZAWIE S.A.
$ U.S. 30 million
Floating rate 1973/1988
The rate of interest applicable for the six months period beginning on 27th November and set by the reference agent is 12½% annually.

COMPANY NOTICE

UNIBONDS
Mutual Fund for Investment in German Securities

For the financial year ended 30th September 1978 a dividend of DM 1.40 is payable from the 15th November 1978 against presentation of Coupon No. 22. The dividend is made up as follows: [illegible]

DM 1.40

[illegible]

IN MEMORIAM

HAMILTON.—A memorial service for James Lawrie Hamilton, retired director of Rea Brothers Ltd will be held on Tuesday 5th December at 12 noon at St. Columba's Church of Scotland, Pont Street, London SW1.

BOND DRAWING

NORGES KOMMUNALBANK
[illegible]
Luxembourg
November 27, 1978

OBITUARY

WILLIAM WILSON. Died in London on 19th November 1978. Founder and managing director of W. Wilson and Sons (London) and Wilson Alloys Ltd., one of the largest independent stockholders of non-ferrous metals in the U.K. [illegible]

CLUBS

EVE, 189 Regent Street, 734 0557. A la Carte or All-in Menu. Three Spectacular Floor Shows 10.45, 12.45 and 1.45 and music of Johnny Hawkesworth and Friends.

GARGOYLE, 69 Dean Street, London, W.1. NEW STRIPTEASE FLOOR SHOW [illegible]

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● FINISHING

Promise of less rust on cars

CAR BODIES free from rust, even in the hidden "traps," for twice to three times as long as at present, is the promise of an electrolytic paint system finding its way into the European automotive industry. The first major installation of this type in Britain has recently been brought into operation at a cost of £3m by Chrysler for its truck and van plant at Dunstable.

Cathodic electropainting, offered generally throughout Europe by International Paint's Industrial Coatings division, collaborating with PPG Industries, differs from the widely established anodic system quite simply in that the latter makes the car body the anode while the new method makes the car body the cathode. Behind this apparently simple change lie several years of intensive research into a water-based paint formulation that would allow the crossover to be made without creating totally unacceptable conditions in the paint bath.

It had been known for some time that when the car body was the anode, as the pigment was deposited on it by the action of the current, so the underlying metal tended to be attacked and the final coat consisted of a mixture of iron, zinc and other compounds with the paint, followed by a pure paint layer. It was also known that where there were deep box sections, the "throwing power" of the anodic method was frequently not sufficient to coat completely, or if the whole area was indeed covered, at the blind end of the section the paint film would be too thin to stand up to rust.

In fact, one of the ironies of the situation was that most manufacturers were making intensive efforts to ensure that a uniform coating of phosphate was applied prior to electropainting, only to find that the anodic process then disrupted this protection—a disruption which, more often than not was the root cause of poor salt spray performance and of paint bubbles.

As with anionic paints, cathodics consist of two components, but with the difference that the resin in which the pigments are dispersed is insoluble in water and is alkaline. To obtain dispersion in the water base, an acid is added and the breakthrough in chemistry which occurred to make the process possible without major modifications to existing plant was to design a system in which the bath was only slightly acidic. During the process, the pigment migrates to the car body and the acid to the anode where it is isolated in an anode box and removed by flushing with pure water.

When the body emerges from the tank it is rinsed with water and the rinsings returned to the painting bath.

Minor modifications are required to convert from one system to the other, but an essential pre-requisite of satisfactory working is the removal of all traces of anodic material.

Research has shown that cationic primers have 50 per cent better throwing power and such good corrosion resistance that an 18 micron film on the underside of a vehicle body substantially improves protection, possibly by as much as three times. Even five microns of cationic film will still stand up well to rust, primarily because it is a pure film with few contaminants from the metal.

During the baking process the cationic film flows more smoothly than its predecessor and needs no additives. The final coat is tougher and more glossy. At the same time, the baths are less prone to bacterial growth which is also a source of poor paint adhesion.

At Dunstable, time taken from cleaning to paint stoving is now only 1½ hours compared with four hours by the older method.

Meanwhile, it is understood that the four Ford industrial vehicle plants in Europe will go over to the system during 1979.

Car owners will, unfortunately, have to wait till some time in the 1980s before they can expect to buy vehicles with the superior paint finish.

International Paints has already spent around £1m on research and production facilities for the resins and other materials which go into the system. Over the next year or so it expects to spend a further £2m to £3m on new equipment for materials manufacture, without counting the cost of new buildings.

A major fillip to the move towards the use of the new process is coming from the U.S. where manufacturers are seeking to bring in a voluntary code under which they will provide paint finishes this year which stay free of cosmetic defects such as blisters and peeling for one year, protect from perforation for three years and from structural failure for six years. The target for 1981 is 1½ years for cosmetic faults, as much as five years for perforations and again six years for failures.

Further details from the company at Henrietta House, 9 Henrietta Place, London W1A 1AD, 01-580 6677. International Paint Automotive Coatings is at North Woolwich Road, Silvertown, London E16 2AF. 01-476 3031.

● ENVIRONMENT

Separates oil and water

IT IS only when major oil tanker accidents occur, and the results are seen on beaches, that people not concerned with the marine industry become more aware of sea pollution. Because these mishaps tend to happen near coastlines they appear to be the most dramatic cause of pollution yet, equally damaging, ecologically, are discharges of bilge water containing heavy fuel and other oils, tanker cleaning and water ballast, which go on continually all over the world.

These discharges are now covered by the Inter-Governmental Maritime Consultative Organisation's resolution A393, which calls for the oil content of any discharge on the high seas to be less than 100 ppm. It also sets standards for in-shore waters.

The IMCO standards are, however, only recommendations—the vast majority of ships still discharge what they like, so long as they don't do it in territorial waters. The main reasons for the practice are cost, complexity, or size of the equipment to remove the oil.

Just launched is a system which has a lower initial cost than most others hitherto available. It is smaller in size, is said to cost virtually nothing to run, and gives discharges well within all of the anti-pollution recommendations.

This oil-water separator is the first new product in the Framurine ship and offshore group, part of Fram Europe, Llantrisant, Pontyclun, Mid-Glamorgan, CF7 8YU (0443 223000).

Unlike any other system, it achieves separation by means of closely-spaced corrugated plates, rather than by fine coalescer cartridges.

Central to the design is the corrugated plate pack made of polypropylene with the gaps between packs set at about 1 inch.

Flow through the coalescing plate pack removes virtually all of the oil which weeps to the top surface of the pack where it rises to the oil recovery dome at the top of the vessel.

Its land-based system—said to be similar to the bilge unit—is suggested for use by companies seeking to appease water authorities which are now increasingly sensitive to rain water run off from tank farms, factories, bus and railway depots.

● HANDLING

Goes round the bends

THE USE of stainless steel for conventional belt conveyor systems is unnecessarily costly, says the maker of the Superflex range of slat band conveyors, P. and R. Mechanical Handling, St. Cenydd Road, Caephilly, Mid Glam. (0222 885505).

These consist of plastic slats and offer the same advantages of stainless steel in that the material continues to ensure complete cleanliness, particularly where food is involved.

Because flexible slats can turn through horizontal bends of up to 180 degrees, a single conveyor turning through a right angle will often replace two straight belt conveyors and one powered bend, says the company, which means that the slat conveyor with a single drive unit will replace three separate drive units with the consequent savings in capital and maintenance costs.

The bands have no tracking problems and therefore side feeding and discharge present no difficulties, while the use of multi-lanes enables widths of as much as two metres to be used.

The ability to keep components on a single conveyor through any processes and changes of direction should provide the materials handling system designer with a very useful tool in many industries where previously its use was precluded by cost, says the manufacturer.

Exact count by weighing

ACCORDING TO the manufacturer, Toledo Scale, electronic parts counting units it has introduced can give absolute accuracy no matter what level of labour is employed to operate them.

Model S184 has a count capacity up to 6 kg (15 lb) and is suitable for counting small parts such as electronic components, small nuts and bolts, pharmaceutical and other items down to a gramme or two in weight. For larger parts and components, model 8183 can weigh to 30 kg. Both will count quantities up to 99.999 pieces.

Weight data for the part in question is established either by using a sample or a known average piece weight.

Available management information from the scales includes total count, average piece weight, and the gross, nett and tare weights.

The push-button zero has automatic zero maintenance which eliminates weighing and counting errors due to the accumulation of dirt or debris on the scoop or platter.

Fir Tree Lane, Groby, Leicestershire (0533 876435).

● DATA PROCESSING

GEC in business

LATECOMER to the burgeoning area of small business systems, which it announced an intention to attack a few months ago, GEC has made a further move intended to give its campaign a bigger bite.

This is implicit in extensive enhancements to its Series 4000. Some of these take the familiar form of applying modern semiconductor memory to an existing product. But there is also a new central processor with advanced logic compressed to two boards—offered in three versions differentiated by the type and amount of memory obtainable.

This processor, the 4060, is compact enough to fit in a standard 19-inch rack and comes with 256 kbytes of semiconductor internal memory. The 4062 designates the same processor with 1 Megabyte of store which can be all core or core/semiconductor mixed, mounted externally. For the 4065, there is a 1 Megabyte external semiconductor store.

A similar punch has been added to the existing 4082 in that it is now available with mixed memory, the pure 1 Megabyte semiconductor memory version now being called 4085.

Specialist software and systems houses are being called in to offer the commercial and business versions of the GEC equipment and supply applications packages. For instance, Ian Martin Computers has bought a 4070 and is working on a library of industry packages including sales ledger, bought ledger and payroll, plus a number of products for wholesalers, insurers and civil engineers.

Dunstable will be the main production centre and the first new factory there is already in operation with a second nearing completion on an adjacent plot.

Further details from GEC Computers, Elstree Way, Borehamwood, Herts WD6 1RX. 01-953 2030.

Evaluates the program

THE SOFTWARE arm of the CAP-CPP Group, Computer Program Products has launched two new items in the areas of program assessment and computer production planning.

IMPROVE automatically monitors a program's performance every few milliseconds by registering the "state of play" on the central processor. This timed activity is then related to the specific instruction and location in question and the result put on to disc together with subsequent histograms of time against code produced.

Once program bottlenecks have been identified it is then easy to decide if the programming method in use can be improved.

The other product, PECS, has been designed to help the data centre manager plan for production rather than merely react to it. Essentially it is a software system to automate the production control of IBM OS installations. It integrates the many functions of existing production control into a more complete and manageable system.

Once it has been installed, PECS becomes the operator memory, ensuring that the correct tapes are loaded, discs allocated and even the proper stationery mounted. In the event of a restart being necessary, a PECS-generated sequence of instructions is presented to the operator, thereby saving time—and perhaps the job itself.

More from CPP UK, 14 Great James Street, London WC1N 3DY (01-242 0021).

● COMPONENTS

Cuts cost of control

PROPORTIONAL flow control valves recently introduced by Moog Controls of Cheltenham have high flow capability (up to 500 litres per minute with some models) with two or three stages only.

Moog says a single D064 valve is a simpler, less expensive alternative to present proportional flow control methods for heavy duty engineering equipment typically incorporating as many as four or five separate valves with attendant complications in piping and manifolding.

New units also have the advantage that genuine proportional control is available, rather than the stepped control obtained from a multivalve layout.

The new range includes both two-stage and three-stage servo-valves with rated flows from 19 to 500 litres per minute. In addition, a pressure-compensated version of the 19 1/min valve is available.

Moog Controls, Huncote Road, Cheltenham, Gloucs. GL51 9NX.

● COMMUNICATION

Secure talk between many users

TWO NEW National Panasonic intercom ranges—the VL-215 and VL-315—provide communications between two and up to 25 points.

The two meet the intercom needs of pretty well every kind of business and institution, from legal, medical and accountancy practices (where fully private telephone conversations are of paramount importance) to hotels or large shops where there is a need for fast intercommunication between a number of points.

VL-215 series is available in three basic systems, respectively offering seven, 15 and 25 stations. In each system, every station is a "master," able to communicate directly with any other station and in complete privacy: once a connection has been made between two stations, it cannot be overheard or interrupted.

Available in two, five, nine and 13 stations, the VL-315 has just one conversation circuit and is a system for installation where shared conversations are needed, and privacy is not essential.

Typical applications might be in large shops, linking the manager's office with the cashiers' stations and also with the stores; in hotels, linking the main office with reception, staff quarters, bars and kitchen; or in businesses where a regular need for conference calls between a number of different offices exists.

Tetronics, 3 Connaught Street, London W2 2AY. 01-262 3121.

● MACHINE TOOLS

Optics set the tool

AN OPTICAL device able to set cutting tools to a datum position accurate to three microns has been developed by TI Matrix of Coventry.

ATSU Mk. 3 is rigidly mounted on the machine and has no moving parts. Provided that the tool is brought anywhere within its 3 degree diameter field of view, the unit takes command and accurately positions the tool; the numerical control program then takes over. Conventional tool pre-setting is obviated.

The system uses the shadow image of the tool tip thrown on to a photodiode array which constitutes an x-y co-ordinate measurement system. Splitting of the beam in the image projection unit also enables the user to see the tool tip coming into position on a television monitor equipped with central x-y cross hairs. The picture is also used to check that the tool is free from damage or swarf.

Overall installation height of the unit is 361 mm including a tool gap of 182 mm; width and depth are 220 x 85 mm. It can be fitted to any NC turning machine as well as non-NC machines. P.O. ox 39, Coventry, CVA 9DA (0203 75521).

● INSTRUMENTS

Finds field strength

ALTERNATING and direct magnetic fields can be measured with the FSM 200 instrument put on the market by Hocking Electronics of St. Albans.

A wide selection of probes allows measurements of axial, tangential and transverse fields, with clear and unambiguous readings on a 3½ digit display.

Front panel switching allows the instrument to be used in a number of ways, apart from straightforward DC or root-mean-square values of AC fields. For example, by switching to "manual sample," instantaneous measurement can be effected by pushing a button. In the "auto sample" mode, the unit will sample and measure automatically, with adjustable sampling period.

More from the company at 40 London Road, St. Albans, Herts. (0727 55424).

Thief alarm plant for Belgium

JUST over £6½m is being invested in a new manufacturing centre in Belgium for the production of electronic security and theft prevention equipment under an agreement with the Knogo company of the U.S. The equipment is for use in retail trading as well as in libraries and book shops.

The capital is being put up by a group in which the Ste de Développement Regionale pour la Wallonie (SDRW) is contributing 80m francs, the same amount being subscribed by Sofina, Glaverbel and other groups within the Sté Générale de Belgique. At the same time, a loan of 230m francs is being made by SNCI.

Site for the new plant is in the industrial park area of Ghlin Baudour near Mons. Initially 100 to 150 persons will be employed, rising to over 400 in five years.

Sté Générale, Rue Royale 30, B. 1000 Brussels, Belgium.

The Executive's and Office World

EDITED BY CHRISTOPHER LORENZ

A way for shipowners and bankowners to stay afloat

BY IAN HARGREAVES

THE MIND of the banker and the mind of the shipowner are often assumed to be different in type, the one cautious, thorough, and figure conscious, the second somewhat dashing, impulsive and fascinated with the operational side of the business.

In some cases, of course, the qualities combine to produce what the shipping world considers to be the bank-minded shipowner, such as Sir Yue Kong Pao of Hong Kong. According to the caricature, only partially accurate, this species is a solid sort who never makes millions from the wild fluctuations of the spot market, but who can be relied upon to weather the slump. To use a gambling term, in fact, a "banker."

Becoming aware

On either side of this reliable banker-shipowner type are the more popular figures of the shipping tycoon who plays the spot market for all it's worth and feels insulted if a bank he approaches for a loan demands too much information about his operations; and the banker who is interested in money, but not ships.

Perhaps it is because we are in the middle of the most severe shipping recession within living memory that it is the solid centrists who catch the eye today. But shipowners and bankers are becoming increasingly aware of the need to understand each other's business.

A useful contribution towards implementing this process is a book from Mr. Costas Grammenos: *Bank Finance for Ship Purchase* (*University of Wales Press, Cardiff, £5/$10*).

Mr. Grammenos is principally a banker; he served for many years with the National Bank of Greece, but—since he is Greek—he is also intuitively (and through experience) a shipping man.

The Greeks are not known as shipping bankers. Most Greek owners have preferred to deal with financial institutions in the U.S., Britain and Japan. The Greek banks have a place, but not as large as their merchant marine fleet — the third largest in the world — might justify. So it is unusual that it should be a Greek banker who is plugging a rather obvious gap in the industry's reading list.

Underlying almost every page of Mr. Grammenos's book is this message to bankers: learn about shipping before you get involved and employ a loan officer who can understand the detail of bunker prices as well as the broad sweep of economic theory.

Although he takes views, for example on the need to provide stringent and clear rules for the managing bank in a syndicated loan, this is not so much a treatise as a text book. It is a step by step course for the banker who would be a shipping banker, angled for purposes of illustration towards the tramp shipping sector and the financing of second-hand ships.

Mr. Grammenos starts by analysing the shipping cycle and goes on to term loans, credit analysis, vessel operation, ship prices and syndication finance.

On the last point, he warns the small bank which takes a stake in a ship syndication deal that it must not rely on the bigger participants to make the right decisions, but must make efforts to understand shipping finance for itself. This book would not be a bad starting point for a bank official in such a position.

With over $40bn of shipping debt in the world, a substantial slice of it incurred during a boom which some banks all too plainly failed to understand, this latest educational tool is to be welcomed.

If, rather than a text book, the reader prefers a case history, he could do worse than look at *From Cape to Cape: The History of Lyle Shipping* (*Paul Harris Publishing, £7.50*).

This is the work of three archivists, headed by John Orbell, who is head of the business records advisory service of the Business Archives Council. It is a story of a century of struggle with adversity coupled with the sprint to expansion and provides business detail while avoiding dullness.

Lyle Shipping is now, like all bulk shipowners, very much in the adversity phase, although its diversification into offshore oil interests has come as a growth point just as many other changes in direction have helped it find a way through hard times in the past.

Welcome addition

The International Safety Guide for Oil Tankers and Terminals (*Witherby, £15*) is hardly suitable for a Christmas stocking, but is still a most welcome addition to the wide range of technical publications jointly produced by the Oil Companies' International Marine Forum and the International Chamber of Shipping.

It offers a complete guide to sound practices for the handling of tankers at sea and at port and succeeds in describing the nature of the many hazards involved in the operation without unnecessarily complicated terminology. For this reason, it should be particularly useful as a training tool for seamen and port operators whose first language is not English.

This is less true of two other books: *A Techno-Economic Analysis of the Port Transport System* by *Junichi Imokito*, visiting fellow at St. Antony's College Oxford (*Saxon House, £10*) and *Time Charters* by *Michael Wilford, Terence Coghlin and Nicholas J. Healy* (*Lloyd's of London Press, £18*), which will appeal to academically minded port operators and shipping lawyers respectively, but not to the general reader.

In a slightly different category is *Lloyd's Nautical Yearbook 1979* (*Lloyd's of London Press, £5.50*) which, as well as providing a manual of essential legal, technical and navigational matters, also this year has features on subjects like the birth of the diesel engine.

For an extra 40p you can even have your name or the name of a recipient embossed in gilt letters on the navy blue cover.

Nicholas Leslie explains why moving a company can be tougher than you think

Planning can save a lot of heartache

A VERY long property lease on favourable terms can be ideal for many companies since accommodation may then be relegated to the bottom of the list of priorities demanding management time.

One danger, though, is that the expiry date of a lease can easily be forgotten. Management may wake up one day to the awful realisation that in an uncomfortably short space of time the company and its employees are going to be homeless.

It therefore follows that a regular appraisal of property needs and of the terms of any leases is advisable. So, too, is the need to have some broad plan in mind for finding new accommodation and to allow sufficient time to implement it.

Furness Withy, the shipping travel and insurance group, has just come through the occasionally traumatic experience of finding a new home for a number of its operations and employees. Not that its position was ever desperate, but it does admit that the full implications of the expiry of one of its leases was not entirely appreciated until quite late in the day. And although the company was not facing a situation of being "out on its ear," it was keenly aware that if it had overstayed its welcome an amicable and long-standing relationship with the landlord—Lloyds, the insurance group—might have been damaged.

Terminated

Fortunately Furness Withy was sufficiently aware in 1975 that one of its London leases could be terminated in 1977 to appoint a property manager, Mr David Skeel, and set him the task of appraising the group's needs. That was two years before any physical move might be required, but it proved to be barely time enough to finalise a re-location plan.

Furness Withy's lease covered 35 years from 1956, but Lloyd's had an option to terminate the contract in June, 1977. Lloyd's could give no indication of its intentions in 1975 so "it was obvious we needed a contingency plan that could be implemented if Lloyd's terminated," says David Skeel.

At that time, the group was still rather loosely knit, with its component companies having considerable autonomy and little contact with one another. This, and other factors, led Skeel to the conclusion that to organise a re-location was too complicated a task for just one person and in March 1976 he recommended using a firm of consultants. Out of a short list of three, Space Planning Services was chosen.

A first task was to assess the current and future needs of the companies involved in the move. This was particularly necessary since the nature of shipping activities was changing and this had led to a decision to bring the ship operating divisions progressively in closer contact.

SPS then assessed what the total space requirement would be in Furness Withy's headquarters building, Furness House, if the activities displaced from the Lloyd's building were concentrated there. This took into account the fact that there would be some savings as a result of better utilisation of space and of merging common services, but that catering facilities would be desirable. The outcome was that there would be a sizeable shortfall in space.

However, a series of developments solved the problem, though not without one major hiccup. This was that some 27,000 square feet of space that had been sub-let but which had reverted to Furness Withy, after having been modernised, had been put on the market. This, theoretically, could have been used, but a very good offer was made for it. Faced with this dilemma good fortune came Furness Withy's way when two tenants in another part of the building announced plans to move.

Furness Withy was still just short of its required space when fortune again stepped in in the form of an offer for one of the company's insurance subsidiaries. As it was convenient for Furness to sell it accepted the offer. As a result the company's space problems were solved.

In the event, Furness was given notice in January 1977 to vacate the Lloyd's building by the end of June that year. But by then it had its contingency plan ready. Virtually all of SPS's recommendations were accepted by Furness and modernisation and reconstruction work was begun.

It had not proved possible to plan for the work to be completed within the six months' notice period but the move of those activities in the Lloyd's building to Furness House has nonetheless effected smoothly. Modernisation work continued into this year, which meant that from early realisation of the need to plan for a move to its being implemented, with necessary work completed, had taken over 3½ years. Surely a clear illustration of the critical need for forward planning.

EXECUTIVE HEALTH

BY DR. DAVID CARRICK

A mechanical cuff on the pulse of the nation

WHEN I was a small boy, I recall the delights of visiting a shoe-shop. My enthusiasm was due to one of those X-ray machines which permitted one to see one's toes wriggling in a green and magical light through the leather.

It was a marvellous gimmick that, and doubtless sold many shoes. Such fleeting monetary profits, alas, proved less attractive when, after some years, those machines were withdrawn because of the very great danger they presented, not to the customers but to the assistants who spent every day in the vicinity of these poorly protected devices which leaked considerable doses of damaging radiation.

Now we have a new toy which, in some respects, could prove just as dangerous in a very different manner. I refer to the "serve yourself" fully computerised blood-pressure machine that has recently been imported from America. So far there is but one, but that has caused such mawkish interest that it cannot be long before many more appear.

The user, having thrust his or her arm through a mechanical cuff, watches fascinated as a scarlet heart-shaped light flickers on and off, until the systolic and diastolic blood pressure appear on a lighted dial. The cost is 50p.

Doubtless a refinement will soon be added whereby a mechanical voice will "speak your blood pressure" and, maybe, churn out a horoscope into the bargain. So far, the customer has to be content with a card claiming to be "My Personal LIFE SAVINGS ACCOUNT" into which the nurse in charge enters the date and the results.

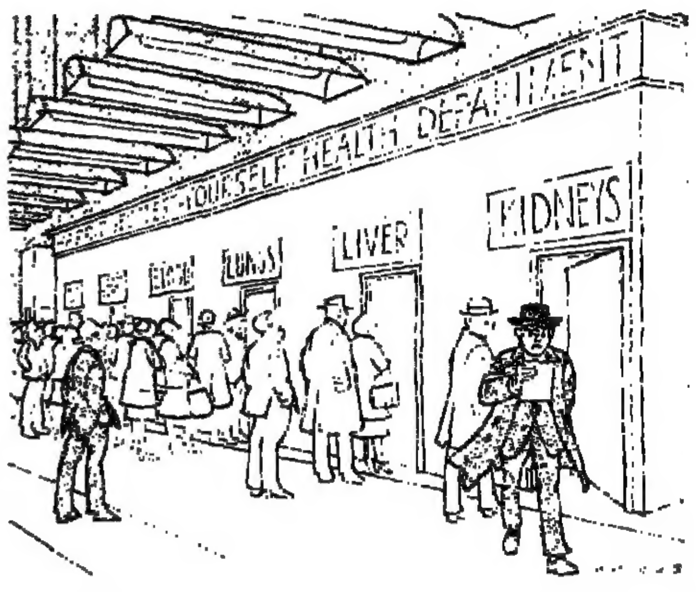
Also supplied is a rather pretty pamphlet which contains many sensible comments warning one that, if the machine reckons the blood pressure to be high, a physician should be consulted. "Normal" and "borderline" figures are given and there are several other soothing comments. The latter pale into insignificance by such cosy statements as "Untreated high blood pressure is a killer."

One cannot really argue with much of what is done or written. But one can—and I certainly do—argue against the desirability of procedures that can cause anxiety without supplying an answer for allaying it—no, not even for another 50p.

Small, private do-it-yourself blood pressure machines have been available for several years. These are doubtless of value if a patient is suffering from malignant hypertension or some similar condition which is being treated by a physician who considers such monitoring to be of importance. But any hypochondriac can purchase one and frighten himself as often as he likes, if he has the money to treat himself to such a stress-making engine.

Other instruments are being advertised also. Recently I saw a "full refund if not completely satisfied" offer in a Saturday newspaper for stethoscopes which were said to be essential for medical students and car mechanics. It was mentioned also that there are many other uses for such devices. Indeed, and one can think of a few. Certainly a stethoscope must be much superior to the old glass-tumbler method for listening through thin walls.

Surely we have enough trials and tribulations in this world as it is without buying methods likely to increase despondency and add yet more stressors to our much stressed lives? British Rail commuter services are surely enough to cause frustration, fury and frenzy coupled with the creation of penury, without any help from abroad!



Now Christmas is fast approaching with all its expensive fun and frolics. There is just time for some bright entrepreneur to make up a splendid diagnostic kit for the kiddies to "amaze their friends!" I will even offer a free title: "The Little Hypochondriac," the black plastic bag of tricks making a jolly stocking-filler to delight the young valetudinarian. This, accompanied by one of those vulgar "raspberry" rubber cushions, would no longer provoke giggles, sniggers and blushes. No, the combination could replace those dull old quizzes for the whole family who could wallow in glorious gloom trying their skill at diagnosing the fell complaint from which the unwary victim of the old prank may be suffering. Without doubt, bumper fun.

LOMBARD

The dripping tap torture

BY ANTHONY HARRIS

YOU CAN'T stop me, even though you have heard this before. We have yet another long tap—no doubt over the dead body of Mr Harold Lever, who has died a couple of dozen deaths in this cause. At the risk of offending the Sleepeezee Division of the Bank of England ("Cures for insomniac fund managers guaranteed") I not only protest, but will go on protesting at every future repetition of this folly. This is at least a disinterested protest; well before the latest tap expires, it will be contributing to my pension, and handsomely; but the cost to the nation is excessive.

When this hue and cry started a few years ago it was very hard to find any official in the Treasury or the Bank who could be brought to admit that there was a problem. They used to argue that long stock issued at 12, 13 or even 15 per cent were a bargain—"a substantially negative real rate of interest" was how they put it. This was an interesting insight into the profound pessimism which informs so many official policies. If a 20 year stock at 15 per cent is to show a negative real interest rate cost, then inflation must average more than 15 per cent for 20 years.

Revealing

Of course officials were not consciously making any such forecast, and were suitably horrified when one pointed out the implication of their words. It was simply a rationalisation of a hand-to-mouth policy. Even as a rationalisation, though, it was horribly revealing.

Nowadays it is fashionable in official circles to express concern about the real cost of funding [illegible]

the terms on which it is now possible to borrow are no doubt very deplorable, but they are the result of mistaken Government policies. Officials are never happier than when they can pose as the voice of natural law—the kind of law which says you can't get a quart out of a pint pot.

This is pure hypocrisy, and for two reasons. First, the policy mistakes of this year are themselves largely the fruit of the same ingrained pessimism as the complacency of funding policy. The borrowing requirement is partly excessive because the Treasury could not believe in any independent buoyancy of the private sector. This is an odd mixture of gloom and arrogance—nothing can happen unless we ordain it. On these terms recovery is almost impossible: it can only be achieved through crowding out, which is self-defeating.

But that is only part of the story. The other part is more disturbing, for the size of the borrowing requirement, which makes funding so expensive now, is partly a reflection of profligate funding in the past. On rough back-of-the-envelope figuring, the long taps issued in the last 18 months alone have added the best part of £1bn to the borrowing requirement compared with the cost of borrowing on sensible realisable terms. A conversion of stocks into such form, including earlier issues, might reduce the borrowing requirement by more than £2bn, apart from the more transitory gains from converting shorter stocks. Even in days of astronomical numbers, £2bn is quite a large bill for protecting the money illusions held by those in authority.

Contradict

An alternative line of official defence is that the authorities are offering what the market wants. But this is a proposition which officials themselves contradict. When indexed stocks—even a North Sea oil stock—are discussed, it is explained that such a step is unthinkable because the demand would be so great the industry would be robbed of funds. In other words, we are paying through the nose because the authorities refuse to issue the stock they believe the market wants. It is also forgotten that if official borrowing needs are reduced, as they would be, then there is no question of crowding out private investment, however attractive official stock might be. That is in fact achieved by a 12½ per cent long rate of interest.

The fact is that present policies are born of gloom and fear of novelty. And if you think that this is the last you will hear of me on this subject wait for the next long tap.

THE WEEK IN THE COURTS

Inroads on immunity

BY JUSTINIAN

FOR YEARS commercial men have waged a campaign for a change in the law whereby sovereign states can successfully claim immunity from legal suit even in respect of their ordinary trading activities. Why should an importer in the UK, who has a legitimate claim for damages against a foreign exporter of goods, be thwarted in his legal claim simply because the foreign exporter happens to be an agency of the foreign state and entitled to claim the immunity of that sovereign state?

The rhetorical question was finally answered last Thursday when the State Immunity Act 1978 came into force. The Act restricts the immunity which sovereign states can claim from the jurisdiction of civil courts and tribunals in the UK. The common law, which until recently accorded immunity to foreign governments from virtually all judicial proceedings, is to be replaced by a statutory and residual immunity. Activities that could equally be performed by trading corporations or private individuals will generally no longer enjoy immunity. The new law is complex and takes a little time to digest and understand.

State immunity from the jurisdiction of the courts of this country is retained except to the extent that it is restricted by the new Act. There are two broad inroads upon what, hitherto, has been a blanket immunity. If a state submits itself to the jurisdiction of the court by accepting, for example, service of a writ upon it, then it waives any immunity it might otherwise have. It can waive it in a number of other ways. If it initiates proceedings, or takes any step in legal proceedings, its immunity will drop away. But it will not lose its immunity if it appears in court proceedings solely in order to assert its immunity or an interest in property over which other parties are litigating.

The other way that a state may lose its immunity, is where the legal proceedings relate to a commercial transaction entered into by the state or to an obligation of the state which by virtue of the contract (whether a commercial transaction or not) falls to be performed wholly or partly in this country. A commercial transaction is not merely any contract for the supply of goods or services, but includes any financial transaction, whether it is a loan or a guarantee or indemnity. It also includes any other transaction or activity (whether of a commercial, industrial, financial, professional or other similar character) into which a state enters or in which it engages otherwise than in exercise of sovereign authority. Further sections in the Act provide for legal removal of immunity from legal proceedings in a host of different situations.

Contracts of employment are generally freed from the immunity if the individual's work is wholly or partly to be performed in the United Kingdom, or where the contract is made here. But if the worker is not a UK national, the immunity from proceedings may be claimed. Land in the UK is outside the scope of any immunity, as is any interest in such property by way of succession or gift. The fact that a foreign state claims any interest in property here will not prevent the English courts exercising jurisdiction over the estates of deceased persons, a man's bankruptcy, or the winding up of companies. Patents, trade marks and copyright all are relieved from the scope of state immunity. Nor is a state immune from proceedings relating to value added tax, customs and excise duties, or agricultural levies.

Privileges

Perhaps the most significant—because it has proved to be the most irksome form of immunity over the years—is the new law relating to ships or cargo used by the state for its commercial purposes. It will now be possible to arrest any ship belonging to a foreign state for the purposes of enforcing a legal claim to damages, and the owning state will not be able to claim any immunity. If the ship was in use, or intended for use for commercial purposes, it will be treated in the same way as any privately owned vessel.

There are some intricate provisions regulating the manner in which foreign states can be served with legal process. There are certain privileges about extending the time limits for taking various steps in the legal proceedings, and other privileges. No order for penalties, injunctions or specific performance can be issued against a state without its consent. There is also no right to execute against state property without its consent, except against property that is used or intended for use for commercial purposes.

Section 15 is of particular significance. This section enables Orders in Council to be made on the basis of reciprocity, either restricting or extending the immunities and privileges established under the Act. Thus the business community will have to keep a wary eye out for any enlargements or limitations on the legislation. Indeed, on the very day the Act came into force, one such Order appeared in relation to ships of the Soviet Union.

The Order preserves the immunity from execution of ships and cargoes of the Soviet Union that would otherwise have been lost under the terms of the new law. It maintains the old immunity in two respects. No application can be made for the issue of a warrant of arrest of a ship owned by the Soviet Union, or any cargo aboard it, until notice has been served on a consular officer of the Soviet Union in London or in the port at which it is intended to arrest the ship. That might have the effect of allowing the ship to depart before the arrest can be made. Another provision is more sweeping.

No ship or cargo owned by the Soviet Union may be subjected to any legal process for the purpose of enforcing a judgment against the Soviet Union. The reason for both these limitations upon the removal of state immunity arises out of a protocol to the treaty on merchant navigation between the UK and the Soviet Union signed in April 1968.

The Act expresses the fundamental change that has been wrought by politicians over the past 50 years in the functions of the state. International trading is the life blood of every nation.

Each country nowadays trades more or less through agencies of the state. Public corporations charter ships and aircraft; they buy on the commodity markets; they issue letters of credit through banks that are state-owned. As a result the lawyers have agitated for a modification of the absolute immunity of states, the more so since, in many instances, it has proved difficult to judge whether a bank or a trading corporation is simply an emanation of the state or in fact a separate entity. The new Act resolves the arguments. A restricted immunity is now the order of the day.

Business union boosts private ownership

A MANIFESTO calling for spread of "individual ownership" in contrast to State power and collective ownership has been launched by a European association of small businesses.

The Conservative Party's Small Business Bureau is a founding member of the association, the European Medium and Small Business Union.

Founded in Bonn last year, it includes representatives from France, West Germany, Italy, Austria and Belgium.

The manifesto urges a "pluralist economy with wide-ranging opportunities for individuals to start and succeed in business, industry, agriculture or the professions." There should be a "climate of laws and taxation which encourages the entrepreneur, the self-employed, and artisans as well as small and medium-sized businesses."

It calls on "all citizens" to recognise that only a society based on individual ownership is a "bulwark against Marxism."

RUGBY BY PETER ROBBINS

Lacklustre England swept aside by All Blacks

IN THE WAKE of the Rugby Union's decision to crack-down on foul play, it was fitting that England's game against the All Blacks at Twickenham on Saturday was free of violence.

It was also, sadly, lacking in sparkle, as New Zealand drove relentlessly to their third international victory.

The All Blacks were worth their 16-6 win, as the England pack—reshuffled because of injury and selectors' strange choices—crumpled in the face of the well-drilled juggernaut.

England's pack never got together at all, and were outclassed at the line-out, where they yielded two soft tries.

The scrum was another disaster area, and they were outfought and apparently out-numbered in the loose.

Given such a disparity in performance up front, the result was saddeningly inevitable.

Hindsight has an appealing clarity—but even so, some of the selections in the pack were hard to accept.

Earlier in the week, the Rugby Union declared that anyone sent off in a game from December 1 onwards faces a mandatory 30-day suspension, and will be subject to further club or county discipline. The move comes not a moment too soon.

The distasteful affairs of the last fortnight have left an acrid atmosphere in rugby circles.

It should be said that every forward knows where he is putting his feet in a ruck and that Llanelli, by grouping together to hide an offender have surrendered a marvellous chance of setting the definitive example to the rest of the rugby world.

Instead, that great club has lost a substantial part of its dignity, which is such a part of its noble heritage.

In 1931, the four Home Unions broke off relations with France because of brutality on the field and the general infraction of the amateur spirit and status of the players.

It is not perhaps too alarmist to suggest that France may soon be entitled to write in similar vein to the Unions here—for in my opinion the game has become noticeably more violent.

I am appalled both as a spectator and critic, and probably more importantly as a parent, at the sickening scenes that occur with depressing regularity.

Rugby is a physical contact sport, and Lord Wakefield, the former England forward, once said that players accept the hazards of the game much as men do the hazards of war.

It is the deliberate foul that is so much more prevalent, especially the boot at the ruck and pile-ups. That is unpardonable, and it should be remembered that rugby is an amateur game—and we all have to go to work on Monday morning.

Part of the pleasure of rugby is in the physical challenge it sets. It is also a game for the academic, and both aspects require a firm sense of discipline.

The line between discipline and indiscipline is indeed fine, but once a man loses sight of that line and takes the law into his own boot, then that man has no right to be on a field of play.

But why should the game be taking these trends? I am quite certain that the spirit of the age has changed immeasurably, and there is less chivalry in the game.

Everything is so intense, the prizes too great and national pride too sacrosanct. International teams now gather at weekends for squad training, and meet well before the international so that the build-up for a game reaches a new level of fever.

The fitness programme sent out this summer by the RFU to the England squad was a terrifying document—completion of which would have earned at least the Duke of Edinburgh's award, and at best entry into the SAS!

Players of international calibre really should not need such a programme but rely on their own dedication. Ironically, this programme seems to have had little effect.

Competitive

The present-day game is of course much faster, more competitive and more widely coached. I am very much a believer in coaching, but it is the way it is practised that often gives rise to many qualms.

As the game has become faster, so the laws have become more difficult to apply and abide by, and the one source of perpetual violence is the ruck, where one day, I fear, someone will be killed.

Referees are now blowing the whistle early at this phase of play, finding that it is often the player on the ground who does not release the ball according to the law.

The frustration thus caused is no excuse for violence and players must let the referee decide whether an opponent is wilfully interfering with play.

It may be that the law will be changed, so that hands can be used at the ruck. After all, rugby is supposed to be a handling game.

Similarly, the reintroduction of the standing tackle when a player was said to be tackled once held and unable to play the ball, would eliminate those protracted mauls and get the ball back into play.

Changes in the laws do not necessarily mean changes in attitudes—and they need changing, primarily among the players and coaches.

If more time was spent actually developing individual skills, rather than cultivating robot-like set-pieces, the game would be better.

The administrators at top level have now shown the iron fist, and it now behoves club officials to follow that example by warning the recidivist that he will not be selected if he persistently flouts the laws and spirit of the game.

That is easy to say and write, but the canker has to be removed if the civilised game is to survive.

Next, prime importance must be given to the trainee referees. Like all humans, they make mistakes, and they suffer much uncalled for vilification.

There does seem to be a decline in standards further down the scale; but since they give their time willingly, they are entitled to expect all the technical and moral support they can get.

Schoolmasters also shoulder an enormous burden in the way they teach and coach the game. But how can they answer a boy who claims that an international player committed the very same foul on Kelly as he did? How can one reconcile a fortnight's suspension of an international player when schoolboys in the Midlands are being banned for a month when sent off?

That is why the new mandate is so important and timely. It should not need stating that international players must set an example both in action and spirit.

Last season, we had the extraordinary admission by J. P. R. Williams that he had committed a professional foul on Mike Gibson.

At Cardiff, we had Haden's apparently histrionic dive from the line-out—both instances of failure to observe the standards that the game has a right to expect.

There is no shame in being beaten, nor in being collectively or individually out-played or out-witted.

The disgrace is in the non-acceptance of that fact and the squalid actions taken to counter it.

SOCCER BY TREVOR BAILEY

Southend battles with council

ONLY 8,500 turned up at Roots Hall on Saturday to see Southend United knock out Peterborough in the first round of the F.A. Cup by three goals to two, in a rather ragged but not unexciting match. The home team just about deserved to win, especially when one recalls two tremendous saves by the visiting keeper. The sparsely filled terraces did suggest that this competition, at least until the arrival of the big names in the third round, has lost some of its appeal. Ten years ago the "posh" would have been accompanied by an army of supporters not a few coaches.

The two clubs, of course, hoped that the game would mark the start of that perennial dream of every side in the lower divisions, a long Cup run to cheer the fans who have realised that this was not a promotion year.

Southend and Peterborough have much in common. Neither has ever advanced beyond the backwaters of the Third Division, and on the evidence of this Cup tie, are unlikely to rectify the matter in the immediate future, although the latter, under John Barnwell, who has now left to manage Wolves, missed promotion last season only by the narrowest margin.

Both clubs have a core of faithful followers numbering about 3,500, who stay loyal irrespective of results, and [illegible] about 30,000. Neither town has a great soccer tradition, or a consuming passion for the game and, unlike Tyneside and Dagenham, are not especially fertile breeding grounds. However, they do realise that they have no chance of existing purely on the revenue from gates and season tickets. This could also apply to most teams in the Third and Fourth Divisions, most of those in the Second and quite a few in the First.

The latest Southend United balance sheet illustrates the situation, even though the club is better supported than most in the lower divisions and is financially far more stable. Its football revenue amounted to £169,000 which included £119,500 from gate receipts and a disappointing £8,000 from season tickets. The whole of this not inconsiderable sum was more than swallowed up by the playing expenses which were £171,000, of which the two biggest items were the players' wages, at £130,500, and travelling and hotel expenses of £21,000.

Car park rental

On top of that expenditure, establishment and administration expenses came to £88,000, nearly half of which were wages.

Fortunately, Southend United was able to raise a further £68,500 from other forms of income, of which £42,000 came from the market rental of its car park.

Although the club's overdraft was £88,000, it owns its ground, and has extra property in the nature of houses which must be worth more than £100,000. It is certainly in a much sounder financial position than most clubs, and estimates it should make more than £100,000 this year from that new saviour of league football, the instant lottery.

Several would have gone out of business without it. It also possesses, under contract, a playing staff which is worth a considerable amount of money.

Like all league members, Southend is only able to exploit its ground commercially for a matter of hours in the course of a year, because of the grass pitch and the difficulty of finding alternative uses except on a one-off basis.

Southend possesses another asset which, if developed commercially, could solve all its financial problems and make it completely viable. Sainsbury's wants to turn the club car park into a medium-large supermarket. It would finance the development and pay the club £100,000 a year for the privilege. The revenue from market rentals would continue and increase, as the new car park would be on top of the building.

Although there were some obvious, though not insoluble, traffic difficulties, planning permission at local and county level, was granted.

Southend United, at that moment, appeared to be in the money. This would have allowed it to buy new players and could have meant its becoming really important in the game. But it has encountered opposition from the local council, some local residents, and owners of nearby shops.

Whether a supermarket on the car park would be a real amenity for the town is a matter of opinion. But it would certainly provide the football club with the finance needed not only to gain promotion, but, more vital, to maintain it. It was pleased to beat Peterborough, but far more important would be a victory over the council.

RACING BY DOMINIC WIGAN

Champion beats weight snag

THE VICTORY of Approaching in Saturday's Hennessy Gold Cup could hardly have been a more popular one, for not only was the seven-year-old a clear favourite but everyone was aware that he had been a far-from-easy proposition for both Josh Gifford and Bob Champion.

A chancy jumper, to say the least, since being bought as a "store" by Gifford in Ireland as a three-year-old, Approaching was thought to have an obvious chance in the Hennessy when the weights were published for the big Newbury chase.

However, his allotted weight of 10 st 2 lb was about half a stone below Champion's minimum, and Gifford was put in the awkward position of deciding whether it would be wise to secure an alternative jockey capable of meeting the weight or to rely on Champion's knowledge of the gelding, by no means an easy ride.

His decision to let Champion keep the ride was a brave one, but as things turned out a few pounds extra would probably have made little difference. The course specialist Approaching, travelling well throughout in the hands of his experienced pilot, who had wasted himself down to [illegible], took over six fences from home and maintained his lead without being seriously threatened.

At the line, Major Derek Wigan's Golden Vision gelding had five lengths to spare over the top weight Master H, with the inexperienced William Penn, the early leader, a further four lengths back in third.

The idea of a tilt at Midnight Court and Fort Devon in the King George VI Chase at Kempton on Boxing Day was mooted by connections and well-wishers after the race.

But I have little doubt that the temptation will be resisted, for Approaching, in receipt of the best part of two stones from Midnight Court on Saturday, will need to improve a good deal before providing a threat to the best.

However, he appears to be doing just that, and provided he can graduate to the trickier courses of the leading park courses and Cheltenham, there seems little reason why he should not go on to make his presence felt in the big conditions races in a season or two.

This afternoon at Windsor 30-year-old Champion, who was having his most important success on his favourite track, will be expected to land the Round Oak Chase on Approaching's stablemate Imperial Prairie.

The five-year-old, a clever winner from Great Brig at Huntingdon last time out, may be able to follow up, but my own narrow preference is for the course-winner, Glanfield, to whom he will try to concede six pounds.

WINDSOR
1.00—Naughty
1.30—Lucky Devil
2.00—Galabad II
2.30—Glanfield
3.00—Hall's Treasure

TV/Radio

† Indicates programmes in black and white

BBC 1

[illegible]

BBC 2

[illegible]

ANGLIA · ATV · BORDER · CHANNEL · GRAMPIAN · GRANADA · HTV · SCOTTISH · SOUTHERN · TYNE TEES · ULSTER · WESTWARD · YORKSHIRE · LONDON

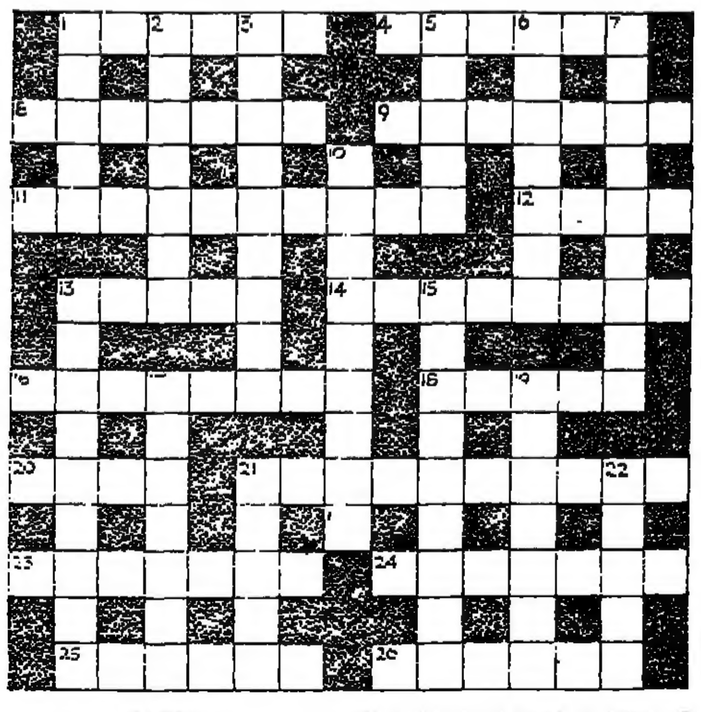
[illegible]

BBC Radio New Wavelengths

RADIO 1 · RADIO 2 · RADIO 3 · RADIO 4 · BBC Radio London · London Broadcasting · Capital Radio

[illegible]

F.T. CROSSWORD PUZZLE No. 3,833



ACROSS
1 Average boy could become a minister (6)
4 Horse has one drink after another (8)
9 Explosive caught by eccentric editor (7)
10 Provide too many staff for supervisor (7)
11 Sink fit to be popular (2, 4, 4)
12 Card came to play briefly in bed (4)
13 Instrument needing little room to take round (5)
15 Inflamed Turkish leader spoken of land by the shore (8)
16 Period spent in crowded bar (4, 4)
18 Put on the spot (5)
20 Black Italian emperor (4)
21 Take some in to what orchestral players say to each other? (3, 5)
23 [illegible] (7)
24 [illegible] (7)
25 Noble bird went in front (6)
26 Hard cut to point (8)

DOWN
1 Picture recently stolen in Post Office (8)
2 Cattle blushing over parrot (7)
3 Repeatedly dismissed for being unqualified (3, 3, 3)
4 Miserable dwelling for south coast town learner (5)
5 Gentlemen upset company taking care of wind (7)
7 Put fresh life into note sent to a Northern Ireland friend (9)
10 Usefully employed in cathedral town? Shut up (4, 5)
13 Produce some leaning towards cases to be tried (5, 4)
15 Merry bit of cooking to sponge with wine (5, 4)
17 Search for watch (4, 3)
19 A job the French advocate (7)
21 Dip into Britain (5)
22 [illegible] (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

A loan from your NatWest bank manager will turn you into a big businessman.

Seeing your business grow bigger gives your NatWest bank manager a lot of personal satisfaction.

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With the right kind of loan, for instance.

A bigger business, sooner or later, will need bigger or improved premises.

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Just ask him.

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Philharmonic Hall, Liverpool

Frankenstein!! by DAVID MURRAY

H. K. Gruber is scarcely a household name even in his native Austria, and it was boldly enterprising of the Royal Liverpool Philharmonic to bring him over as soloist or *chansonnier* in his own *Frankenstein!!*—"a pandemonium for baritone and orchestra." The composer is 35, once a member of the Vienna Boys' Choir, he has played double-bass in the "die reihe" Ensemble for some 17 years, and now also in the Austrian Radio Symphony. Despite the serialist and post-serialist repertoire he performs, his own music since the mid 1960s embodies a defiant tonal innocence, not naive, certainly not artless but militantly prepared to court the listener [illegible] the reassuring tonal signposts. Weill and Eisler are not too far away. Doctrinaire avant-garde pieces demand that the audience accept radically new frames of reference. Gruber and his colleagues of the "MOB art and tone ART" Group, who used to offer "salon concerts" in a cabaret vein, begin from where listeners feel at home—though the journey may lead to stranger climes.

The current issue of Tempo magazine is largely devoted to Gruber and that group, but on another page it quoted a remark of Ravel's about Schoenberg which is coincidentally apropos: "I am not so afraid of the element of charm, which he avoids to the point of asceticism, even of martyrdom." *Frankenstein!!* is singularly charming, so special that it probably offers a very partial view of Gruber's work. Nearly half an hour long, it is a setting of wicked children's rhymes by the Austrian Surrealist H. C. Artmann, perverse verse which owes a good deal to Christian Morgenstern. Traditional monsters rub shoulders with Batman, Robin and Jimmy Bond, with lashings of [illegible] simple horror. The piece grew from what was at first only an accompaniment for the recited verses; in its new, entirely recomposed form, fragmentary "dances" (with a heady flavour of Palais de Danse) are interspersed between the chansonnier's singing, declaiming and acting-out of the words. On Saturday Gruber did that in clear, engagingly accented English with great verve and extravagant vocal resources. (His account of the role is very exactly notated in the score, which Boosey and Hawkes are publishing.)

Most of the word-setting sticks close to the rhythmic style of children's chants. The orchestra putters and jingles away; besides the excursions into quasi-pop, there is much ingenious play with diatonic tags, suggestive of "systems music" but also of an elusive lyrical undercurrent. A vital further dimension of evocative colour is added with a whole band of children's instruments, both seriously playable ones and plain noisemakers, on which the orchestral players take turns (as on Saturday, though it would be possible to have children help). They are tellingly, often surprisingly used—more effective than many electronic beefings-up of the standard orchestra. The total impression of amiable ease is certainly deceptive, for the considerable length of the work never sagged: there is more power in the musical contrivances than the cheerful manner and frail sounds imply.

Bright-eyed scores like this suit Simon Rattle to a T, and the performance by the Royal Liverpool Philharmonic under him evinced infectious relish. It was a success that ought to be repeated in London—and one's appetite is whetted for Gruber's recent Violin Concerto too. *Frankenstein!!* is a sort of comic puzzlingly poignant miniature, delicately expanded without it bursting; it will be keenly interesting to discover whether Gruber's means will stretch to filling a large canvas with broader, more energetic strokes.

Festival Hall

Our Hunting Fathers

by MAX LOPPERT

Bernard Haitink chose an unlikely opener for Friday's London Philharmonic concert, otherwise devoted entirely to Bruckner's Eighth Symphony. Ill-starred but welcome, *Our Hunting Fathers*, Op. 8, is the most infrequently performed of Benjamin Britten's song cycles with orchestra, and yet among the early opus numbers it stands as one of the most startling revelations of the composer's maturing brilliance.

How wonderfully well the compositions of the young "clever" Britten revive today, and how that cleverness unsettled the musical Establishment of the day! *Our Hunting Fathers*, a "symphonic cycle for high voice" on a selection of poems by, or one chosen by, W. H. Auden (their central theme: man's different attitudes to animals, framed by complex reflections on themes of traditional violence and guilt) was commissioned for the 1936 Norfolk and Norwich Triennial Festival. An echo of the upset it caused can still be heard in Frank Howes' monograph on Britten for the 5th edition of Grove's Dictionary, 20 years later.

In his description of the verse as "Auden's skirmishes on the frontiers of unintelligibility which spoil the songs by teasing the mind that should give at least half the attention to the music," there can be detected more than a whiff of that prim, commonsensical-English distrust of the new and not immediately assimilable or categorisable that was to dog Britten's pre-*Peter Grimes* years. Today the associations stirred by the poetry and the glittering virtuosity and sharp-edged wit of the music are heard to work in concert, and the result is still uniquely exhilarating and disturbing.

On this occasion, the high voice belonged to Heather Harper, and it sounded in wonderful shape. Perhaps the patter[illegible] of the "Dance of Death" could have done with an added Jennifer Vyvyan-like bite, but the sheer ease and insouciant musicality of Miss Harper's singing when at its best are always pleasures hard to equal. Haitink and the LPO supported her with playing that was firm, vigorous, and in the scherzo satire of the middle poems, powerfully vivid. Vividness in the playing was, strangely, the very quality missing from the account of the Eighth Symphony, after the interval. Haitink's account of the work is normally one of the great performances of our day. Steadiness, and an ability to uncover the emotional truth at the core of Bruckner's mighty symphonic structures, were still to be appreciated; but—as it were—behind gauze, and in an oddly muffled and only intermittent fashion.

Wolfson Literary Awards

The Wolfson Literary Awards, now in their seventh year, have been awarded to H. M. Colvin, the architectural historian, general editor and part author of *The King's Works* and of the *Dictionary of British Architects*, and to Alistair Horne for his study of the Algerian war of independence, *A Savage War of Peace*.

Mr. Colvin receives £7,000 and Mr. Horne £5,000. The purpose of the awards is to pay tribute to a life time's contribution to the study of history and to encourage the writing of scholarly history for the ordinary reader.

Donald Cooper

Hope Jackman and Antonia Ellis

Crucible, Sheffield

Chicago by B. A. YOUNG

While West End managements hurl hundreds of thousands of pounds into self-evident losers like *Fire Angel* and *Mardi Gras* and *The Travelling Music Show*, the European premiere of the successful Broadway musical *Chicago* comes to a provincial repertory company.

The Sheffield Crucible has an open stage that conservatives think unsuitable for musicals. Not so: with the use of two small traps and one large one and a truck running in and out of the dark space below the balcony where, in this instance, the band sits, Peter James proves the space as useful as any proscenium stage. It also has the advantage of extra entries and exits in different directions. Mr. James, in his individual way, shows a wealth of invention some West End theatres should envy.

Perhaps the London managements have cold-shouldered *Chicago* because it is satirical. Satire is ridiculously unfashionable, and the book by Fred Ebb and Bob Fosse (adapted from a 50-year-old play by Maurine Dallas Watkins) is very satirical indeed; and very funny. Miss Watkins was a reporter in 1924 at the trials of Beulah Annan and Belva Gaertner, two pretty young Chicago housewives accused of shooting their lovers, both acquitted after trials more like Miss World campaigns than quests for justice. "In this town," says the matron (Hope Jackman) in charge of the Six Merry Murderesses of Cook County Jail, "murder is a form of entertainment."

Roxie Hart, whom Antonia Ellis plays with a cunning hint in her heartless sexism that she might really once have married her mechanic husband (Don Fellows), is set on her glamorous defence by a lawyer, Billy Flynn, who will get anyone off for $5,000. If Jesus Christ had come to him with $5,000 he says, things might have turned out very differently. But Velma Kelly, in the same jail, with the same lawyer, is playing the same game. Jenny Logan makes Velma what Herbert Farjeon once called a bedrock blonde, and she has not the same capacity for stirring sympathy as well as love. Still, in the end both are acquitted and end up as a double act in vaudeville.

The story is played with no concessions to realism. "My exit music, please!" calls Ben Cross's Flynn, a figure more glossily romantic than romance itself. The songs (words by Fred Ebb, music by John Kander) are not much, though they provide material for dance routines. "Nowadays" (perhaps more familiar as "Whatever happened to class?") is the only one with any wit in the lyric; mostly a single idea has to serve the whole song—in the worst case, "Mr. Cellophane," repeated over and over without development. Still it gives Amos a nice exit line.

The dancing, to choreography by Gillian Gregory, is enchanting, tongue-in-cheek reference to 'twenties Chicago, summed up in the first routine to "All that jazz." There is a good band up in the balcony, with a twentyish sound to it—three saxes, two each trumpets and trombones, a banjo, a bass tuba, etc. Chris Wiltshire directs it from the piano like Daniel Barenboim.

New York ballet

Dowell and Barishnikov

by DAVID VAUGHAN

The Joffrey Ballet has more Ashton works in its repertory than any other American company, a fact that says much not only for Robert Joffrey's taste but also for his powers of persuasion, for it is well known that Sir Frederick does not easily give permission for his ballets to be mounted by companies outside the Royal Ballet. The Joffrey's latest acquisition is a real scoop—the Ashton-Lord Berners-Gertrude Stein comedy of manners *A Wedding Bouquet*, which has never been done by any other company. Perhaps no other company has thought of asking for it, in which case Joffrey is all the more to be congratulated, for the choice is a brilliant one.

The Joffrey dancers are at their best in character or *demi-caractère* work—and it does not stretch the definition of this term (classic with a folkloric flavour) too much to include jazz ballets like Twyla Tharp's *Deuce Coupe*. They do a decent *Patineurs*, and manage the comedy roles in *The Dream* excellently, but have never done very well in the purely classical works—it's almost impossible to dance Ashton's *ballabili* without a corps de ballet used to dancing the 19th-century classics.

The production of *A Wedding Bouquet* succeeds beyond all expectations. It was an inspiration on Joffrey's part to take advantage of Anthony Dowell's presence in New York, where he is in rehearsal with American Ballet Theatre, to invite him to appear as the Narrator. Dowell brings to this unaccustomed role suavity and assurance, clarity of diction, glamour, and a sly wit. His familiarity with Ashton's sensibility and style helps to establish an authentic atmosphere: his presence seems to give confidence to the whole cast.

An equally important contribution to the revival's success, though, is made by Gary Chryst, one of the finest character dancers of our time. His philandering Bridegroom is conceived not in terms of comic effects but as a real person, a man trapped into a marriage he doesn't want but must go through with. Chryst and Dowell between them pull the whole ballet into focus. Further performances will no doubt strengthen the company's sense of ensemble—indeed, it improves with each repetition.

There are already several other excellent individual characterisations: Bonnie Wyckoff's bossy maid, Webster, both Lynn Glauber and Starr Danias as the vacuous Bride, Beatriz Rodriguez as crazy Julia, Philip Jerry's remote and handsome Guy, Paul Shoemakers' blandly unctuous Arthur.

In the other new works of the season, Joffrey has chosen less happily. Oscar Araiz is widely touted as some kind of choreographic white hope, but his *Chopin Preludes* is inept to the point of risibility. Agnes de Mille's *A Bridegroom Called Death* is a reworking of an earlier piece for the Boston Ballet, acting out the Death and the Maiden story to a collection of Schubert songs, and proving yet again that follow-my-*lieder* rarely works as a balletic formula. The Joffrey's resident choreographer, Gerald Arpino's new *pas de six Choura* is named after, and described as a tribute to, Alexandra Danilova, but is surely not intended to be an evocation of that ballerina's impeccable classic style.

The opening of the New York City Ballet's winter season on November 14 was a gala occasion, with champagne and *hors d'oeuvres* on the house for the whole audience. Many of them no doubt were there to see Mikhail Barishnikov's New York début with the company, in the *Rubies* section of Balanchine's *soi-disant* three-act ballet *Jewels*. Barishnikov is no mean classic stylist himself, though the streamlined phrasing of Balanchine's *Theme and Variations*, which he danced with ABT last season, seemed to elude him; it is probably a wise decision for him to work his way into the NYCB repertory via Balanchine's more dramatic ballets, like *The Prodigal Son* and *Orpheus*, which he will dance later, and a *demi-caractère* piece like *Rubies*. (All the same, one can hardly wait to see him in something like *Ballo della regina* or *Square Dance*.)

In this case he showed an extraordinary grasp of the essential quality of the movement, shifting his centre of gravity so that even in his leaps one was aware not only of his fantastic elevation but of the continuing downward thrust. At the same time, he was an easy match for his scintillating partner, Patricia McBride, in attack and mercurial speed of footwork.

The opening section, *Emeralds*, seemed somewhat lack-lustre, with the exquisite Merrill Ashley miscast in Violette Verdy's old role, which depends so much on plasticity of the arms, never Ashley's strong suit.

But in the finale, *Diamonds*, Suzanne Farrell and Peter Martins did the seemingly impossible and topped Barishnikov and McBride in brilliance: Farrell's dancing had the thrilling amplitude that characterises it at its best (at its worst, it can be marred by indulgent posturing and pouting) and Martins showed a sense of engagement he sometimes lacks, though his virtuosity is never in question.

Mikhail Barishnikov and Patricia McBride in the 'Rubies' section of Balanchine's 'Jewels'

Almost Free

My Cup Ranneth Over

by MICHAEL COVENEY

Success came relatively late to Robert Patrick, one of the few, and certainly one of the liveliest, of the mid-60's Off-Off Broadway survivors. Mr. Patrick wrote *Kennedy's Children* and he spends much of his time travelling all over the world to bask in his own glory. He still finds the odd moment, however, to toss off the odd play, and here is the British premiere (at lunchtimes) of a sparkling two-hander about, you guessed it, the shock of sudden success.

Paula, a would-be journalist who has plastered her study wall with rejection slips from *Cosmopolitan*, shares a New York apartment with Yucca, "a post-Watergate street punk" who last night stood in for an indisposed star and has, this morning, gathered a bunch of rave reviews. First on the line, disrupting Paula's work schedule, is the *Village Voice*, shortly followed by David Frost, *People* magazine, *Playboy* and, naturally, *Cosmopolitan*. Complete domestic fall-out is prevented by Yucca insisting to *Cosmopolitan* that Paula—"she used to be my best friend"—conducts the interview.

There is a bright, playful bitchiness in the dialogue that is extremely well delivered by Gloria Gifford as Paula and Erica Stevens as Yucca. Miss Gifford, in fact, strikes me as one of the most beautiful and talented new actresses I have seen in some time, which is not to detract from Miss Stevens' achievement in portraying a likeable slob. Yucca knows she has arrived when *Playboy* ask to photograph her minus her one distinguishing feature, her T-shirt. The piece is sharply directed by Anthony Matheson, with a pleasant design by Norman Coates that combines chic interior clutter with a finely-etched background cityscape.

Round House

Hoppla! wir leben!

By B. A. Young

This is not Ernst Toller's tragic play of 1927, described in the programme as a revue, which even after Piscator had finished with it it most certainly was not. Toller addicts will be able to see *Masse Mensch* and *Die Maschinenstürmer* in translation next week. At the Round House they will only get an eponymous cabaret number by Walther Mehring, introducing a collection of German satirical songs made by Keith Cheetham (appropriately named) and Eva Meier, and sung in English by Colin Bennett, Christina Matthews, Thick Wilson and Miss Meier herself.

It forms part of the German season called The Seventies meet The Twenties, and in its one-sided way it does bring to life the German way of existence in that period, which is extended for the purpose to 1918 on one side (the end of the war) and 1933 on the other (Hitler's appointment as Chancellor). I call it one-sided because it leaves out so much. You might believe that Hindemith, the Bauhaus, Ringelnatz or Rilke had never existed, and that writers like Brecht, Toller and Kaiser were all that mattered.

Within these limits, then, the songs are attractive in their sinister way. They range from plain comedy like "My brother makes the noises for the talkies" to the blackest of Brecht—"Ballad of the drowned girl" (music by Weill) and "Song of the SA man" (music by Eisler). The title song is by Walther Mehring, who contributes more than anyone else; he too covers a broad spectrum, with "A coffin is passing" on one side and "Six day races" on the other. The edgy sex of the time, as demonstrated in *The Blue Angel*, comes out in "Berlin is crazy about my legs" and "My name is naughty Lola."

The singing is perhaps not quite edgy enough; there is too little evil in even the evil songs. Miss Meier and Miss Matthews are thoroughly wholesome girls, whether they like it or not. Possibly they might all infuse more subtlety into the songs in a smaller hall; this is cabaret material, and it might as well be sung at Drury Lane as in the Round House, where even as near the stage as I was the words did not always come over.

Keith Cheetham is the director and does pretty things with lights and projections of contemporary photographs. There is a lively four-piece band on the stage that sometimes plays too loud for the singers.

Young Vic Studio

The Bozo

By Michael Coveney

Jamie Reid's meandering play starts ominously with his bozo (a clown, or fool, in American slang) about to relate the incidents which led to his residence in a San Quentin death cell to a couple of remarkably inquisitive guards. We learn that Harry hails from Beverly Hills where his father runs a leisure home business. Harry disapproves of that and, to make his point, drops out of Stanford University, a ludicrous phenomenology school and a TV chat show on which he appears to define his interest in what is old and beautiful in Los Angeles architecture. He stands on a bar, takes off his clothes and pours scorn on soft post-hippy ideology by refusing to be "valid."

In the second Act he disrupts a psychotherapy session by pushing an innocent invalid under highway traffic, flees to the Santa Cruz mountains to seek refuge with his drop-out lesbian sister—herself paying for work done on forest clearance by American Express—and returns to join in a Charles Manson cocktail party charade and knife a couple of Dad's neighbours.

What little dramatic propulsion there is in the writing serves only to take us from one over-extended, rather badly performed, sketch to another. Dad is a roaring red-neck running for Senate with homosexual-bashing tirades and Reagan-style promises of restoring the death penalty. Mel Smith directs and there are passable contributions, coloured with a sort of desperate vigour, from Joss Buckley as Harry and Micky O'Donoughue and Chrissy Roberts as his parents.

Riverside appeal fund

Riverside Studios, Hammersmith, has launched an appeal fund to consolidate its position as West London's centre for the arts.

Just ten months after opening as an arts centre, the former BBC television studios now attracts 2,500 people a week with a wide range of music and drama as well as cinema and children's events.

The appeal is aimed at the private sector with the objective of opening more of the building to the public and ensuring that the quality of performances can be maintained. A restaurant with river views is also proposed.

Sir Hugh Willatt, chairman of Hammersmith Riverside Arts Trust, said funds already raised included £152,500 Urban Aid Grant from the Department of the Environment to instal flexible seating and buy lighting equipment and £5,000 from the Arts Council's Housing the Arts Fund.

But Sir Hugh, former secretary-general of the Arts Council, said the council ought to do more next year because Riverside had shown itself to be of national significance.

A series of benefit concerts is planned to boost the fund.

JOHN FALDING

The Application List for the Ordinary shares now offered for sale will open at 10 a.m. on Thursday, 30th November, 1978, and will close at such later time on the same day as County Bank Limited may determine.

Copies of this Offer for Sale, having attached thereto the documents specified below, have been delivered to the Registrar of Companies for registration.

Application has been made to the Council of The Stock Exchange for the whole of the issued Ordinary share capital of Harris Queensway Group Limited ("the Company") to be admitted to the Official List.

This Offer for Sale contains particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information to the public with regard to the Company. The directors collectively and individually accept full responsibility for the accuracy of the information given and confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

مكتامن الأصل

HARRIS QUEENSWAY GROUP LIMITED

Offer for Sale

by

COUNTY BANK LIMITED

of

5,000,000 Ordinary shares of 20p each at 155p per share payable in full on application

The shares now offered rank in full for all dividends hereafter declared or paid on the Ordinary share capital of the Company

Share Capital

Authorised		*Issued and now being issued fully paid*
£3,600,000	in 18,000,000 Ordinary shares of 20p each	£3,000,000

Indebtedness

On 31st October, 1978 the Company and its subsidiaries ("the Group") had outstanding term loans of £258,398 secured by mortgages on certain properties of the Group.

Save as aforesaid and apart from inter-company liabilities, on 31st October, 1978 the Group had no loan capital outstanding or created but unissued, and no outstanding mortgages, charges, borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities.

Selected Information

- The Group is a retailer of carpets and household furniture. It operates 129 carpet shops, mainly in high streets or shopping centres, of which 102 trade in England and Wales as Harris Carpets and 27 trade in Scotland as Ross Carpets. It also operates 23 Queensway discount stores mainly in London, East Anglia and Scotland.

  Further information about the Group's business is set out under "Business".

- The Group's trading results for the five financial years ended 24th December, 1977 were as follows:—

Year ended December	*Turnover £'000*	*Profit before taxation £'000*
1973	2,951	335
1974	4,857	605
1975	9,265	1,147
1976	14,694	1,696
1977	29,822	1,585*

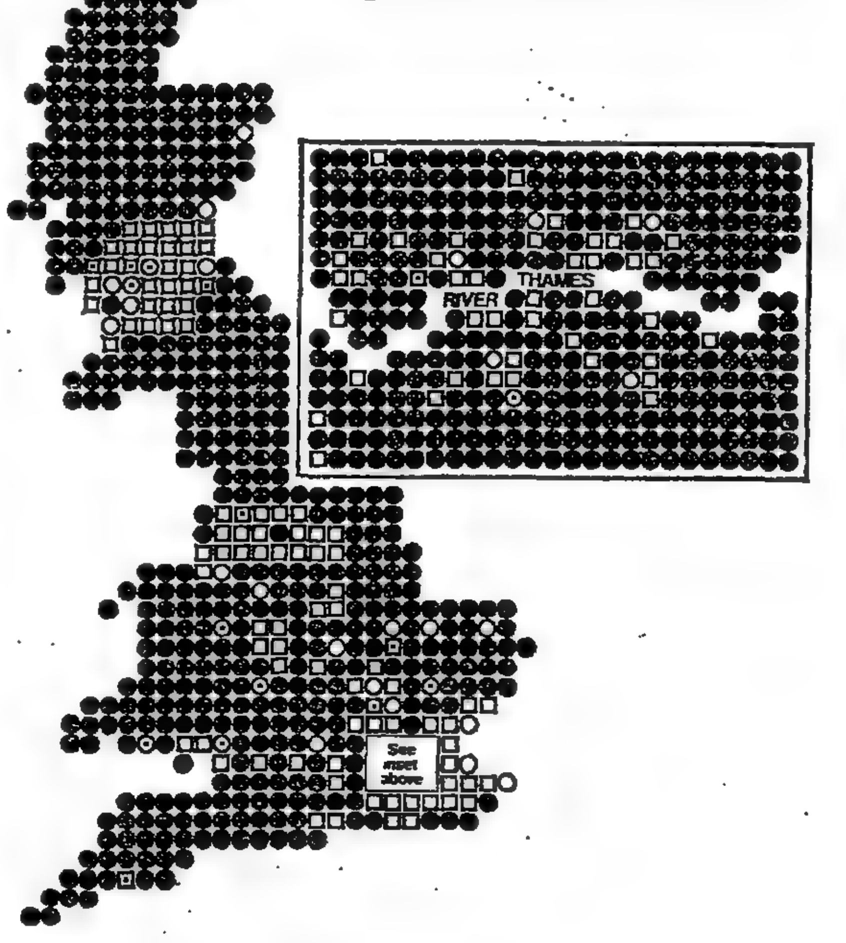
*The profit before taxation for the financial year ended 24th December, 1977, which included approximately £192,000 attributable to the disposal of property, was adversely affected by the acquisition in July, 1977 of Queensway Discount Warehouses Limited which was not at that time trading profitably.

During the 26 weeks ended 24th June, 1978 the Group earned profit before taxation of £2·3 million, including approximately £370,000 attributable to the disposal of property, on a turnover of £23·1 million.

Further financial information about the Group is set out in the Accountants' Report.

- The directors forecast, on the basis of the assumptions set out under "Information relating to the profit forecast", that in the absence of unforeseen circumstances the Group's profit before taxation and extraordinary items for the year ending 23rd December, 1978 will be not less than £5·3 million, including approximately £500,000 attributable to the disposal of property.
- The net tangible assets of the Group as shown in the audited consolidated balance sheet at 24th June, 1978, adjusted to reflect the net proceeds of the issue of new Ordinary shares, amounted to £5·14 million.
- On 31st October, 1978 the Group had deposits and credit balances at bank of £1·4 million and had total borrowings of £258,398.
- At the Offer for Sale price of 155p per share the total value of the share capital issued and now being issued is £23·25 million.
- On the bases set out under "Appropriation of Profit", excluding profits on disposal of property, the price earnings ratio at the Offer for Sale price would be 9·45.
- On the basis of the illustration set out under "Appropriation of Profit", the gross equivalent dividend yield of the shares of the Company at the Offer for Sale price would be 7·51 per cent.

Diagram of Branch Network



Directors

Philip Charles Harris (Chairman)
Harris House, 76 High Street, Orpington, Kent BR6 0LX.

Hugh Ridley Sykes (Deputy Chairman)
Harris House, 76 High Street, Orpington, Kent BR6 0LX.

David Joseph Stockwell
Harris House, 76 High Street, Orpington, Kent BR6 0LX.

Kingsley John Elton
Harris House, 76 High Street, Orpington, Kent BR6 0LX.

Graham Stanley Povoas
Harris House, 76 High Street, Orpington, Kent BR6 0LX.

Secretary and Registered Office

Howard William Hancock Ellis FCA
Harris House, 76 High Street, Orpington, Kent BR6 0LX.

Principal Bankers

National Westminster Bank Limited
30 Tooting High Street, London SW17 0RG.

Brokers to the Company

L. Messel & Co.
P.O. Box 521, Winchester House, 100 Old Broad Street, London EC2P 2HX.

Joint Solicitors to the Company

Park Nelson, Dennes, Redfern & Co.
11 Essex Street, Strand, London WC2R 3AF.

Solicitors to the Issue and Joint Solicitors to the Company

Travers Smith, Braithwaite & Co.
6 Snow Hill, London EC1A 2AL.

Auditors and Reporting Accountants

Price Waterhouse & Co.
Chartered Accountants
Southwark Towers, 32 London Bridge Street, London SE1 9SY.

Registrars and Transfer Office

National Westminster Bank Limited, Registrar's Department
P.O. Box 82, 37 Broad Street, Bristol BS99 7NH.

The following information concerning the Group has been received by County Bank Limited from the directors of the Company:—

INTRODUCTION

The present Group is based on the carpet retailing organisation built up by the Chairman of the Company, Mr. Philip Harris. The Company was incorporated in 1957 to acquire the Harris family's three carpet and linoleum shops in South London. From 1961 the Company expanded steadily by the opening of new branches mainly in South East England. 18 'Keith Royle' carpet shops were purchased from the Combined English Stores Group in 1974 and their trading name changed to Harris Carpets, bringing the total shops operated by the Company to 54. By the middle of 1977 the Company was operating 93 carpet shops under the name of Harris Carpets.

In July, 1977, the Company acquired Queensway Discount Warehouses Limited ('Queensway'), a major retailer selling household furniture and carpets through 30 edge-of-town discount stores. At the time of its acquisition it was incurring trading losses but the directors of the Company were confident that, under the strong management control which the Group could provide, Queensway would be restored to a position of earning substantial profits.

The acquisition of Queensway was of considerable significance to the Company for several reasons. It marked its entry into furniture retailing as well as more than doubling turnover and substantially increasing the profit potential of the Group. It also linked two distinct retailing concepts serving the home furnishings market, namely high street shops and edge-of-town discount stores.

The operation to integrate the two companies and to establish Queensway as a profitable organisation, which necessitated the closure of 7 unsuitable discount stores, was substantially complete by January, 1978. In May, 1978 a new Group head office was opened in Orpington, Kent.

The Group's chain of carpet shops was further expanded in May, 1978 with the acquisition of one of the best known carpet retailers in Scotland, J. Ross & Co. (Carpets) Limited ('Ross') and Park Properties (Glasgow) Limited ('Park'), a company which owned 2 shops operated by Ross. The 29 shops operated by Ross have been integrated into the Group's carpet retailing organisation. Appropriate changes of trading name have been made to certain shops to give effect to the Group's policy of trading under the name of Harris Carpets in England and Wales and Ross Carpets in Scotland.

The Group's chains of carpet shops and discount stores are amongst the largest U.K. retailing organisations in their respective fields. Both have considerable scope for further expansion.

BUSINESS

The Group is a retailer of carpets and household furniture. Turnover is currently divided approximately equally between carpet shops and discount stores, carpet sales accounting for approximately 60 per cent. of turnover and furniture sales for approximately 40 per cent.

Carpet Shops

The Group operates 129 carpet shops of which 102 trade in England and Wales as Harris Carpets and 27 trade in Scotland as Ross Carpets. The total selling area is approximately 287,000 square feet.

Shops offer a wide range of competitively priced carpets, sales being largely in the middle and lower price ranges. All sales are paid for prior to or on delivery and over 85 per cent. are settled in cash. No credit is granted by the Group although certain credit cards are accepted and hire purchase facilities can be arranged for customers through consumer credit companies.

The location of shops is of considerable importance to the Group's carpet retailing policy. They are almost invariably situated in prime locations either in high streets or shopping centres, and adjacent to major multiple retailers. Such sites attract a substantial flow of customers and do not therefore require the support of advertising. Selling areas of shops are normally between 1,000 and 4,000 square feet.

Shop fronts and interior displays are standardised throughout the chain of carpet shops and are designed to create bright, well lit branches which display a wide range of carpets attractively and in which the customer will find it easy and pleasant to shop.

The Group's policy is to provide a wide selection of carpet which is available from its warehouse stock, whilst offering an additional selection, mainly of more expensive carpets, on special order. The shops hold almost no stock, displaying samples only. Approximately 60 per cent. of sales are of carpets carrying the Group's own brand names. Although branches offer traditional Axminster and Wilton wool carpets, a high percentage of sales is of carpets made from synthetic fibres. The carpets currently offered from stock comprise approximately 50 ranges, each of which is available in seven designs or colours at prices of between £1·99 and £9·99 per square yard. The Group aims to provide a variety of colours and designs at each price level including carpets made specially to its own design and quality requirements.

A high standard of service has alway been regarded as of major importance. Shop staff are trained to offer assistance to customers in a courteous and efficient manner and orders are processed quickly—normally cut lengths of carpet arrive in the shop within 3 days and fitting, if required, is completed within 5 days of order. If the customer so requests, a specialist estimator prepares a plan of the carpet to be laid. Branches use self-employed carpet fitters from whom a high standard of work is required.

Discount Stores

The Group operates 23 Queensway discount stores mainly in London, East Anglia and Scotland. The total selling area is approximately 694,000 square feet. The stores sell household furniture and carpets currently in the proportion of approximately 25 per cent. carpets to 75 per cent. furniture, of which lounge furniture accounts for approximately 28 per cent., beds and bedroom furniture 25 per cent., dining room furniture 12 per cent. and kitchen furniture 10 per cent.

The stores, the majority of which are on one floor, have selling areas of between 8,000 and 55,000 square feet and are located on edge-of-town sites which are easily accessible. This enables the Group to trade from large premises with good parking facilities, at rents which are considerably lower than in town centres.

The siting policy requires that each store is supported by substantial advertising through local newspapers, radio and television. Expenditure on advertising in the year ending 23rd December, 1978 is expected to be £1·4 million (approximately 5 per cent. of turnover) divided about equally between press and broadcasting.

Although the discount stores have been designed in the 'warehouse' style, considerable care is taken to create a pleasant atmosphere and to display merchandise in an attractive manner. This is achieved by good lighting and heating, carpeting of display areas and the use of 'room-sets' around the perimeter of the sales floor where the ranges of bedroom, dining room and kitchen furniture are displayed. The central part of the showroom is normally used to display lounge furniture and beds and also contains the carpet department.

Because of the size of the stores the Group can display a larger range of merchandise than most other furniture retailers; for example the central selling area may contain up to 100 suites of lounge furniture and 30 models of bed. The stores offer furniture in a wide price range although the bulk of sales is in the middle price bracket. Three-piece suites are stocked in prices ranging from under £200 to £700. The ranges of carpets are identical to those sold by the Group's carpet shops and in addition stores offer a selection of end of roll remnants.

The Group's principle of high quality service is maintained in the discount stores. Since a high proportion of furniture sold is available from stock the goods are generally received by customers within 7 to 10 days from purchase. The discount stores apply the same payment and credit policies as the carpet shops.

HARRIS QUEENSWAY GROUP LIMITED

Warehousing

Carpets

A basic policy of the Group is the supply of carpet to its carpet shops and discount stores from centralised warehouses. Retail outlets hold almost no stock and carry out no cutting operations, thus eliminating an area of inefficiency common in the industry. The ability to offer a wide range of carpet which can normally be delivered to the shops and discount stores within 3 days has resulted from the creation of first class warehousing and cutting facilities. The Group currently operates three warehouses totalling approximately 120,000 square feet of which two are in Orpington, Kent and one in Barking, Essex. Almost all carpet stocks are held in these warehouses and each has high speed cutting equipment. The Group uses Darwen cutting machines which cut to a tolerance of 1 per cent., thereby minimising waste. The cutting capacity available to the Group in existing warehouses is approximately 15,000 cut lengths per week, whilst average usage is currently running at approximately 9,000, with peaks of up to 11,000 cut lengths per week.

Cutting of carpets to meet orders received from the shops and discount stores the previous day is carried out by the day-shifts. Cut lengths are then loaded by the night-shift for delivery throughout the country the following day. Carpet for delivery to the Scottish shops and stores is transported in container lorries to the Group's depot in Glasgow, and is distributed from there in the Group's vans.

Future expansion of the Group's carpet business will require a major increase in warehouse and cutting capacity. In July, 1978 the Group entered into an agreement to lease a 157,000 square feet warehouse to be built at Swanley, near Orpington. Construction of the warehouse is now well advanced and the directors anticipate that it will be operational by September, 1979 at which time all warehousing will be transferred there. The new warehouse will be equipped with an automatic carpet handling system and will have a storage capacity of 1·8 million square yards of carpet and a cutting capacity of 22,000 cut lengths per week. Its proximity to the M2 and M20 motorways means that transport access is excellent. The Group's study of the project shows that savings in warehousing and cutting costs will be achieved on occupation of the warehouse and will become substantial as throughput increases.

Furniture

It is not necessary for the Group to maintain a central furniture warehouse. The centralised buying system ensures that bulk purchase terms are obtained whilst the merchandise is delivered by the manufacturer to the individual stores, where approximately 20 per cent. of the total floor area is designed for storage.

Purchasing

Carpets

The Group is one of the largest buyers of carpet in the U.K. As a result it is not only able to purchase carpet on favourable terms but it is also able to obtain carpet made to its own quality and design requirements, which is sold exclusively by the Group's outlets.

The Group makes significant purchases from approximately 20 suppliers including most of the leading carpet manufacturers. The Group's largest supplier in the first six months of 1978 accounted for approximately 10 per cent. of total purchases.

The close liaison maintained with suppliers is of considerable importance to the Group. The directors believe that at times when supply conditions in the industry are difficult its relationship with suppliers assists the Group to obtain its requirements.

Furniture

The Group makes significant purchases from approximately 50 manufacturers. In the first six months of 1978 its largest supplier accounted for approximately 11 per cent. of total purchases.

As a major purchaser, the Group has a relationship with certain suppliers of furniture which enables it to obtain favourable terms and to reserve, without commitment, merchandise to meet anticipated requirements for periods of up to three months. The furniture is then supplied by the manufacturer as required. This also enables the Group to plan promotions well in advance.

Promotional Activities

Since 1975 the Group has obtained publicity from the sponsorship of showjumping and from the three showjumpers now owned by the Group, which are ridden by Mr. David Broome and maintained at his expense. The showjumpers include 'Philco' which in 1978 competed in the successful British World Championship Team. Mr. Broome, who has been associated with the Company for six years, also features in some of the Group's publicity material. At 24th June, 1978 the showjumpers were stated in the Group's books at £111,578 and are being written off over three years. The Group's involvement in showjumping will continue whilst the directors are satisfied that the expenditure is merited by the publicity achieved.

MANAGEMENT AND STAFF

It has always been central to the Group's management policy that incentives are provided to employees at all levels so that enterprise and achievement are properly rewarded.

The directors believe it essential that all levels of shop and store related management should maintain contact with the retailing operation and accordingly senior management spend much of their time visiting the Group's outlets and many, including a number of the directors, spend some time each month serving customers.

Management control is achieved through a system of area managers who are responsible for the performance of shops and stores within their area. Shop managers are responsible for branch performance and the welfare of the staff under their supervision. On 31st October, 1978 the Group had 1,314 employees of whom 954 worked in the Group's shops and stores, 111 in the warehouses and 249 (of whom [illegible] were part time) in the accounting and administration departments. Staff relations have always been good.

Following a corporate reorganisation in November, 1978 all the Group's trading is carried on by the Company's three subsidiaries, Harris Carpets Limited ("Harris Carpets"), Queensway and Ross, as agents for the Company. For management purposes certain senior managers of each division have been appointed directors of the appropriate subsidiaries. The directors of the Company and senior management are as indicated below.

Directors

Mr. P. C. Harris, aged 36, is executive Chairman of the Company. On the death of his father in 1957 Mr. Harris left school to take over the running of the family's three shops in South London. Since that time he has been responsible for assembling and leading the team of management which has built up the Group.

Mr. H. R. Sykes, MA LLB CA, aged 46, has been a non-executive director of the Company since August, 1977 becoming Deputy Chairman in October, 1978. He has had wide experience of both the financial and management aspects of industry and, besides having other business interests, is a non-executive director of The Bath & Portland Group Limited.

Mr. D. J. Stockwell, aged 39, joined the Company as a director in 1971, having previously managed a graphic design company. He subsequently became Sales Director and was appointed Joint Managing Director in 1975. He is now Managing Director of Harris Carpets.

Mr. K. J. Elton, aged 33, joined the Company in 1964 as a salesman. He subsequently became a store manager, an area supervisor and then Sales Director. He was appointed to his present position as Managing Director of Queensway in November, 1977.

Mr. G. S. Pavons, FCA, aged 37, joined the Company in February, 1978 as Group Finance Director. He was previously Finance Director of Bowater Carpets Limited, a subsidiary of The Bowater Corporation Limited.

Senior Management

Name	*Age*	*Position*
Harris Carpets		
R. G. Pook	48	Director—Shop Display
D. V. Powley	38	Director—Personnel
E. L. S. Wright	36	Director—Sales Administration
H. F. L. Fancy	57	Regional Director
A. J. Shortland	32	Regional Director
Queensway		
W. E. Bailey, BA MBA	33	Director—Advertising and Promotions
S. C. Calcroft	58	Director—Furniture Sales Administration
R. F. Houchin, BA	30	Director—Furniture Purchasing
C. J. Holt	31	Director—Carpet Sales Administration
Ross		
A. Behar	31	Managing Director
J. Ross	46	Sales Director
Head Office		
H. W. H. Ellis, FCA	44	Company Secretary
D. Fieldhouse, ACA	33	Group Accountant
T. G. Watson	38	Group Estates Manager
G. J. Deal, BSc	31	Group Operations Manager
B. I. Clarke	33	Carpet Buyer

PROPERTIES

The Group's policy is to maximise the use made of its financial resources by operating mainly from short leasehold premises although freehold and long leasehold properties may be purchased in certain circumstances.

Carpet Shops

The Group has 129 carpet shops, most of which have selling areas ranging from 1,000 to 4,000 square feet. 6 shops are freehold, 2 are long leasehold (over 50 years) and 121 are short leasehold, normally for an original term of 20 years or more. The total current annual rental on leasehold property amounts to approximately £1·2 million.

Discount Stores

The total floor areas of the Group's 23 discount stores range from 10,000 to 80,000 square feet, except that the store at New Malden, Surrey, has a total floor area of approximately 120,000 square feet including a selling area of some 55,000 square feet. 3 stores are freehold, 1 is long leasehold and 19 are short leasehold. With the exception of 1 property, all the short leasehold properties have leases with an unexpired term in excess of 13 years. Rent reviews usually take place every 5th or 7th year. The total current net annual rental on the leasehold properties amounts to approximately £1 million.

As a result of the reorganisation which followed the acquisition of Queensway, 4 short leasehold stores are currently not being used for trading. 3 of these properties are to be disposed of and 1 has been sub-let. The total net annual rental on these properties amounts to £140,750. The directors consider that adequate provision has been made for anticipated losses where appropriate.

Warehouses

The Group operates 3 leasehold warehouses, 2 of which are situated in Orpington and 1 in Barking. The warehouses, which vary in size from 37,000 to 45,000 square feet, were each leased for an original term of 25 years with 5 year rent reviews. All the leases have unexpired terms of more than 21 years and the total current annual rentals amounts to £211,325. The Group also has a depot of approximately 22,000 square feet at East Kilbride, Scotland which was leased on 28th November, 1972 for a period of 99 years at an annual ground rent of £2,000 with 15 year reviews.

A new warehouse is currently being built for the Group at Swanley. The total area will amount to approximately 157,000 square feet and a lease will be entered into for a term of 25 years with 5 year rent reviews at an initial annual rental of approximately £300,000. It is anticipated that this will be ready for occupation in September, 1979. The warehouse at Lagoon Road, Orpington will then be disposed of and, subject to the Group obtaining the necessary consents, the Barking warehouse will become a Queensway discount store and the existing carpet showroom attached to the Sevenoaks Way, Orpington warehouse will be extended.

Head Office

The Group's head office, Harris House, Orpington is a new office block of 27,270 square feet leased from 25th December, 1977 for a term of 25 years with 5 year rent reviews at a current annual rental of £160,000.

The Group also has a lease of the offices at Norwich previously occupied by Queensway. This lease, which has 16 years to run with rent reviews every 5 years and is at a current net annual rental of £17,000, is to be disposed of.

Valuations

The carpet shops owned by the Company on 24th December, 1977 were valued on that date by Smith Melzack & Co., surveyors and valuers, on the basis of open market value with their existing use and vacant possession. This valuation, which revealed a surplus of £743,000 over book value, has not been incorporated into the Company's accounts and additions since that date have been included at cost.

Smith Melzack & Co. valued on the same basis the properties owned by Queensway as at 11th July, 1977, the date of acquisition, and the properties owned by Ross and Park as at 7th August, 1978. The aggregate value of approximately £2·6 million has been incorporated into the Group's accounts as the acquisition cost of these assets, Smith Melzack & Co. having confirmed that in their opinion the value of the properties owned by Ross and Park at 17th May, 1978, the date of acquisition, was not materially different from their value as at 7th August, 1978.

PROCEEDS OF THE ISSUE

The shares being offered for sale include 4,000,000 shares being sold by existing shareholders of the Company. The balance of 1,000,000 shares are new shares which, after deducting the expenses of the Offer for Sale, will raise £1·21 million of additional finance for the Company. The new capital will provide additional funds for the expansion of the carpet shop and discount store chains and for equipping the new warehouse at Swanley.

Working Capital

On 31st October, 1978 the Group had deposits and credit balances at bank of £1·4 million. Taking into account the net proceeds of the issue and the bank facilities available to the Group, the directors are of the opinion that the Group has adequate working capital for its present requirements.

PROFITS

Profit Record

The profit record of the Group for the five financial years ended 24th December, 1977 and for the 26 weeks ended 24th June, 1978 is set out in the Accountants' Report. During the five financial years ended 24th December, 1977 Group turnover increased from £3·0 million to £29·8 million and profit before taxation from £335,086 to £1·6 million.

The profit before taxation for the year ended 24th December, 1977 was adversely affected by the acquisition of Queensway in July of that year. At the time of Queensway's purchase it was not trading profitably and it was not until 1978 that the benefits of a subsequent management and administrative reorganisation were felt. Apart from its demands on the Group's management time, the acquisition of Queensway required a temporary reduction in the rate of expansion of the Group's chain of carpet shops. Furthermore, in common with other retailers in the trade, the Group suffered from depressed consumer demand in the first half of 1977.

Profit Forecast

The Group earned profit before taxation in the 26 weeks to 24th June, 1978 of £2·3 million, including approximately £370,000 attributable to the disposal of property, on a turnover of £23·1 million. The directors forecast that in the absence of unforeseen circumstances the consolidated profit before taxation and extraordinary items for the year ending 23rd December, 1978 will be not less than £5·3 million, including approximately £500,000 attributable to the disposal of property. This forecast is made on the basis of the assumptions set out under "Information relating to the profit forecast".

DIVIDENDS

On the basis of their forecast of profit for the year ending 23rd December, 1978 the directors intend to recommend for payment in May, 1979 a dividend of 4·5p per share (6·72p with related tax credit).

In respect of a full year in which a similar level of profit was earned the directors would expect to recommend dividends totalling 7·8p per share (11·64p with related tax credit). It is intended in future years to pay an interim dividend in November and a final dividend in May.

If current legislation regarding dividends, which expires on 31st July, 1979, is renewed in its present form the Company will not be subject to any dividend restrictions in respect of the two financial years ending 22nd December, 1979 but dividends thereafter will be subject to statutory control.

APPROPRIATION OF PROFIT

The following table sets out, by way of illustration, how a profit before taxation of £5·3 million would be appropriated assuming taxation at standard rates and total dividends of 7·8p per share on the enlarged issued share capital of £3,000,000:—

	£'000
Trading profit	4,800
Profit on property disposals	500
Profit before taxation	5,300
Less: Taxation*	2,646
Profit after taxation	2,654
Less: Dividends totalling 7·8p per share	1,170
Profit retained	1,484

*Taxation has been calculated at 52 per cent. on trading profit and 30 per cent. on profit on property disposals.

On the basis of this illustration, the dividend would be covered 2·27 times by the profit after taxation and the dividend, together with the related tax credit, would represent a gross equivalent dividend yield of 7·51 per cent. on the Offer for Sale price.

On the basis of the illustration and the weighted average number of Ordinary shares which will be in issue during the financial year ending 23rd December, 1978, taking into account the Ordinary shares now being issued, the forecast earnings per share would be 18·9p. On the same bases, but excluding earnings attributable to the disposal of property, the earnings per share would be 16·4p and the Company would be valued at the Offer for Sale price on a price earnings ratio of 9·45.

Taking into account the availability of stock and other reliefs the directors expect the effective rate of tax charged on the total profits of the Group for the financial year ending 23rd December, 1978 to be approximately 44 per cent.

PROSPECTS

The level of profit which will be achieved in 1978 is the result of the successful amalgamation of the Harris Carpets and Queensway operations coupled with a general improvement in consumer demand. It has not come from any significant increase in the number of their branches. Queensway now trades from three fewer outlets than at the time of its acquisition and excluding those acquired from Ross the number of Harris Carpets shops has increased by only four since 1st July, 1977. Considerable reorganisation has taken place in Ross since its acquisition and because it has only recently been integrated into the Group organisation it will make no significant contribution to profits until 1979.

Since the acquisition of Queensway, the directors have concentrated on creating an integrated and efficient organisation. The depth of management ability within the Group together with the centralised operations of buying, carpet warehousing and financial control have all been developed with substantial expansion in mind, and form a solid base from which this may now be achieved.

Although the Group is already one of the largest carpet retailers in the U.K. the directors believe that Group carpet sales in 1978 will represent less than seven per cent. of the U.K. domestic market. A large proportion of the carpet market is served by individual furnishing retailers who, without the Group's ability to service outlets through centralised cutting and storage facilities, are unable in the directors' opinion to compete with the Group in the range of carpet offered from stock. The Group's purchasing power also enables it to purchase carpets at significantly lower prices.

The retail furniture market is similar in character to the carpet market in that a large proportion continues to be supplied by individual retailers, whose ability to display a wide range of furniture is limited by the available floor area. The directors believe that Queensway's ability to offer an extensive range of furniture from stock in large edge-of-town stores with good parking facilities has already made a significant impact on the U.K. domestic furniture market and they are confident that the Group will continue to increase its market share. In addition, the greater buying power which will result from increased sales volume will benefit profitability.

A key factor in future expansion will be the acquisition of suitable properties. The Group has obtained or is negotiating for eight new carpet shops and eight new discount stores. It plans to open all of these carpet shops in early 1979 and, having regard to the number of properties currently under consideration and the short time scale required to bring them into operation, the directors expect further carpet shops to open before the end of that year. Six of the discount stores, with a total selling area of approximately 160,000 square feet, are planned to open in 1979. There still remains substantial scope for increasing the number of carpet shops and discount stores and the Group will benefit from increasing concentrations of discount stores in existing areas so as to take full advantage of advertising expenditure.

The directors consider that the Group's medium and long term prospects are excellent and, besides pursuing an aggressive expansion of its existing business, they will continue to examine suitable areas for expansion through acquisition.

ACCOUNTANTS' REPORT

The following is a copy of the report of Price Waterhouse & Co. to the directors of the Company and of County Bank Limited:—

The Directors,
HARRIS QUEENSWAY GROUP LIMITED
COUNTY BANK LIMITED

Southwark Towers,
32 London Bridge Street,
London SE1 9SY.
23rd November, 1978.

Gentlemen,

Harris Queensway Group Limited ("the Company"), formerly named Harris Carpets Limited, acquired the issued share capital of Queensway Discount Warehouses Limited ("Queensway") on 11th July, 1977 for a cash consideration of £2,137,000 including expenses and the issued share capitals of J. Ross & Co. (Carpets) Limited ("Ross") and Park Properties (Glasgow) Limited ("Park") on 17th May, 1978 for a cash consideration of £444,000 including expenses. Subsequently, the assets of these subsidiaries were transferred to and their liabilities assumed by the Company, under an arrangement by which the Company now trades in three divisions—Harris Carpets, Queensway and Ross. In this report the Company and its subsidiaries are together referred to as "the Group".

We have examined the books, records and accounts of the Group for periods relevant to this report.

In our opinion, the financial information set out below, which is based on audited accounts, after making such adjustments as we consider appropriate, gives a true and fair view of:—

(i) the profits and source and application of funds of the Group for the five and a half years ended 24th June, 1978;
(ii) the state of affairs of the Group at the beginning of and at each accounting date within that period; and
(iii) the state of affairs of the Company at 24th June, 1978.

No accounts have been prepared for submission to members since those for the 51 weeks ended 24th December, 1977. Interim accounts for the 26 weeks ended 24th June, 1978 have been prepared and audited for the purpose of this report.

ACCOUNTING POLICIES

The following are the principal accounting policies adopted by the Group in preparing the financial information set out in this report:—

Basis of accounting

The accounts have been prepared under the historical cost convention.

Basis of consolidation

The Group accounts deal with accounts of the Company and all its subsidiaries made up to the same date in each year. The results of companies acquired during a financial year are included in the Group accounts from the date of acquisition.

The Group will in future prepare annual accounts up to the Saturday before Christmas in each year.

Fixed assets

Fixed assets are stated at cost to the Group.

No provision for depreciation is made on freehold land.

Leasehold properties are amortised by equal annual instalments over the period of the lease.

Depreciation is calculated to write off the cost of fixed assets during their expected useful lives on a straight line basis. The main rates used by the Group are:—

Freehold buildings	2%
Fixtures and fittings	15% to 25%
Plant and machinery	20%
Commercial vehicles	25% to 33⅓%
Motor cars	25%
Showjumpers	33⅓%

Goodwill

Goodwill represents the net difference between the purchase consideration and the net assets, to which fair values have been attributed, of the subsidiaries at the dates of acquisition.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

Provision is made for deferred taxation at current tax rates in respect of all timing differences except those which it can be demonstrated with reasonable probability will continue in the future.

Turnover

Turnover represents the net value of goods sold and delivered and services supplied, excluding inter-company and inter-divisional sales and VAT.

PROFIT AND LOSS ACCOUNTS

The consolidated results of the Group for the periods under review were as follows:—

	Notes	Years ended 31st December 1973	1974	1975	1976	51 weeks ended 24th December 1977	26 weeks ended 24th June 1978
		£'000	£'000	£'000	£'000	£'000	£'000
Turnover	1	2,951	4,857	9,265	14,694	29,822	23,148
Cost of sales	2	2,645	4,237	8,080	13,021	28,298	21,131
Trading profit before interest	1	306	620	1,185	1,673	1,524	2,017
Interest received (paid)		26	(8)	(25)	4	(131)	(88)
Profits (losses) on property transactions		3	(7)	(13)	19	192	370
Profit before taxation		335	605	1,147	1,696	1,585	2,299
Taxation	3	127	294	531	905	516	1,012
Profit after taxation		208	311	616	791	1,069	1,287
Dividends		1	1	1	1	1	—
Amount added to reserves		207	310	615	790	1,068	1,287
Earnings per share	3 & 4	1·49p	2·22p	4·40p	5·65p	7·64p	9·19p

NOTES TO THE PROFIT AND LOSS ACCOUNTS

1. Turnover and trading profit before interest

The following is an analysis of turnover and trading profit by division:—

	1973	1974	1975	1976	1977	1978
(a) Turnover:						
Harris Carpets	2,951	4,857	9,265	14,694	18,104	9,946
Queensway (see note 5)	—	—	—	—	11,718	12,891
Ross	—	—	—	—	—	311
	2,951	4,857	9,265	14,694	29,822	23,148
(b) Trading profit (loss) before interest:						
Harris Carpets	306	620	1,185	1,673	1,590	1,129
Queensway (see note 5)	—	—	—	—	(33)	908
Ross	—	—	—	—	—	9
Other subsidiaries	—	—	—	—	(33)	(29)
	306	620	1,185	1,673	1,524	2,017

The results of Queensway, Ross and Park are included in the consolidated results set out above from their dates of acquisition.

2. Cost of sales

Cost of sales includes the following items:—	1973	1974	1975	1976	1977	1978
Depreciation	13	42	88	117	398	269
Amortisation of leasehold properties	30	100	167	254	275	171
Rent payable (net)	134	218	376	629	1,282	1,051
Hire of plant and machinery	—	—	—	10	85	29
Auditors' remuneration	7	3	6	6	17	13
Directors' emoluments	35	46	52	62	69	48

3. Taxation

The charge, based on the profits of each period, comprises:—	1973	1974	1975	1976	1977	1978
Corporation tax	93	247	492	819	496	749
Deferred tax	34	47	39	86	20	263
	127	294	531	905	516	1,012

The amount of taxation benefit which it is estimated will not be payable in the foreseeable future is given in note 7 to the balance sheets below. The taxation charge reflects the disallowance of the amortisation of leasehold properties, particularly in the year ended 31st December, 1976, and reflects in the 51 weeks ended 24th December, 1977 the relief obtained from the utilisation of the taxation losses of Queensway. The taxation charge for the 26 weeks ended 24th June, 1978 is based on the estimated effective rate which will apply in the year ending 23rd December, 1978.

4. Earnings per share

The calculation of earnings per share is based on the profit after taxation for each period and 14,000,000 Ordinary shares, being the number of shares in issue after the Bonus issue on 23rd November, 1978.

5. Queensway

For information, the turnover and trading profit of Queensway for the last five financial years, based on the audited accounts, are as follows:—

Years ended	30th Sept. 1973	30th Sept. 1974	27th Sept. 1975	25th Sept. 1976	24th Sept. 1977
	£'000	£'000	£'000	£'000	£'000
Turnover	7,811	11,144	16,980	19,251	22,701
Trading profit (loss), before interest, tax and exceptional and extraordinary items	718	382	1,003	248	(476)

SOURCE AND APPLICATION OF FUNDS

	Years ended 31st December 1973	1974	1975	1976	51 weeks ended 24th December 1977	26 weeks ended 24th June 1978
	£'000	£'000	£'000	£'000	£'000	£'000
SOURCE OF FUNDS						
Profit before taxation	335	605	1,147	1,695	1,585	2,299
Adjustment for items not involving the movement of funds:						
Depreciation and amortisation of fixed assets	48	143	255	371	673	440
Total funds generated from operations	378	748	1,402	2,067	2,258	2,739
Long term loans	—	272	—	89	960	—
	378	1,020	1,402	2,156	3,218	2,739
APPLICATION OF FUNDS						
Net investment in fixed assets	171	1,211	706	1,775	1,623	(581)
Long term debt repayments	—	—	161	—	—	7,028
Cost of acquisition of subsidiaries	—	—	—	—	2,137	444
Taxation	19	159	106	261	333	624
Dividends	1	1	1	—	1	—
Reorganisation costs	—	—	—	—	255	565
	191	1,371	973	2,036	4,349	2,080
Change in working capital						
Increase in stocks	140	253	484	449	431	241
Increase in debtors	53	71	98	304	73	240
(Increase) in creditors	(55)	(224)	(113)	(1,296)	(73)	(177)
	329	1,471	1,442	1,493	4,780	2,384
MOVEMENT IN NET LIQUID FUNDS						
Increase (decrease) in cash	49	(322)	—	665	(142)	1,333
(Increase) decrease in bank overdrafts	—	(129)	(60)	(32)	(1,420)	(978)
	49	(451)	(60)	633	(1,562)	355

Note

The costs of acquisition of Queensway and Ross and Park can be analysed as follows:

	Queensway	Ross and Park
	£'000	£'000
Fixed assets	3,377	724
Goodwill	579	168
Working capital	1,240	(40)
Provision for reorganisation	(1,185)	—
Taxation and deferred taxation	(55)	198
Net liquid funds	(819)	(528)
Long term loans	(1,000)	(78)
	2,137	444

BALANCE SHEETS

The Group	Notes	31st December 1972	1973	1974	1975	1976	24th December 1977	24th June 1978
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed assets	2	251	375	1,443	1,893	3,298	7,624	7,326
Goodwill		1	—	—	—	—	579	747
		252	375	1,443	1,893	3,298	8,203	8,073
Current assets								
Stocks	3	280	420	673	1,167	1,816	5,027	5,568
Debtors		44	97	168	266	570	1,180	1,935
Bank balances and cash		274	323	1	1	596	561	1,916
		598	840	842	1,434	2,882	6,768	9,419
Current liabilities								
Creditors		(270)	(325)	(549)	(682)	(1,958)	(4,308)	(5,337)
Provision for reorganisation	4	—	—	—	—	—	(830)	(365)
Bank loans and overdrafts	5	—	—	(129)	(179)	(211)	(2,456)	(3,984)
Taxation		(176)	(250)	(338)	(724)	(1,282)	(1,198)	(1,355)
Dividends		(1)	(1)	(1)	(1)	(3)	(3)	(3)
		(447)	(576)	(1,017)	(1,586)	(3,454)	(8,895)	(11,044)
Net current assets (liabilities)		151	264	(175)	(132)	(572)	(2,127)	(1,625)
Long term loans	6	—	—	(272)	(111)	(200)	(2,160)	(1,210)
Deferred taxation	7	(5)	(34)	(81)	(120)	(206)	(528)	(563)
		398	605	915	1,530	2,320	3,388	4,675
Represented by:								
Share capital	8	100	100	100	100	500	1,000	1,000
Reserves	9	298	505	815	1,430	1,820	2,388	3,675
		398	605	915	1,530	2,320	3,388	4,675

NOTES TO THE BALANCE SHEETS

1. The Company

In consequence of agreements between the Company and its subsidiaries expressed to be effective before 24th June, 1978, the assets, liabilities and reserves of the Company at that date were the same as those of the Group, except that the Company's net investment in subsidiaries of £858,000, comprising shares at cost less amounts written off (£2,622,000) less amounts owing to subsidiaries (£1,764,000), is represented as follows:—

Fixed assets owned by subsidiaries (cost £174,000)	111,000
Goodwill	747,000
	£858,000

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HARRIS QUEENSWAY GROUP LIMITED

2. Fixed assets

	The Group						
	31st December					24th December	24th June
	1972	1973	1974	1975	1976	1977	1978
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Land and buildings							
Freehold	—	—	64	64	552	2,663	1,787
Long leasehold	4	4	4	4	4	23	254
Short leasehold	282	365	1,364	1,862	2,836	4,057	4,496
Plant, equipment, vehicles and other	42	107	247	422	689	2,758	2,974
	328	476	1,679	2,352	4,081	9,507	9,511
Depreciation and amortisation	(77)	(101)	(236)	(459)	(783)	(1,883)	(2,185)
	251	375	1,443	1,893	3,298	7,624	7,326

The land and buildings of Queensway and Ross and Park have been included in the Group accounts at their open market values assessed by Smith Melzack & Co., surveyors and valuers, at 11th July, 1977 and 17th May, 1978, respectively, the dates of acquisition of these companies, which represent the cost of these assets to the Group. The land and buildings of Harris Carpets are included in the accounts at their original cost.

At 24th June, 1978 the Group and the Company had placed contracts for future capital expenditure of £193,000 and had approved but not contracted for further capital expenditure of £141,000.

3. Stocks

	The Group						
	31st December					24th December	24th June
	1972	1973	1974	1975	1976	1977	1978
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carpets	280	420	673	1,167	1,616	1,986	2,834
Furniture and other stocks	—	—	—	—	—	3,041	2,734
	280	420	673	1,167	1,616	5,027	5,568

4. Provision for reorganisation

The provision for reorganisation represents the estimated cost of reorganising the operations of Queensway following its acquisition by the Company and the decision to transfer the head office from Norwich to Orpington and to close certain branches. A provision of £1,185,000 has been made in the accounts and costs incurred amounting to £820,000 have been deducted therefrom up to 24th June, 1978, leaving a balance of £365,000.

5. Bank loans and overdrafts

The Group's bank loans and overdrafts shown by the bank statements at 24th June, 1978 amounted to £334,000. The difference between this amount and the amount shown in the above balance sheet at 24th June, 1978 of £3,984,000 is accounted for by cheques which had been drawn but not yet presented for payment and lodgements not yet credited at that date.

6. Long term loans

	The Group	
	24th December 1977	24th June 1978
	£'000	£'000
Secured term loans from County Bank Limited, since repaid	1,979	963
Secured term loan from Industrial and Commercial Finance Corporation Limited, repayable by one instalment of £31,237 payable 31st December, 1980 and thereafter by three annual instalments of £50,000 with interest at 16½ per cent. per annum	181	181
Secured loan from East Kilbride Development Corporation, repayable by half yearly instalments of £5,500 until 1996 with interest at 11½ per cent. per annum	—	66
	2,160	1,210

Loans outstanding at 31st December, 1974, 1975 and 1976, totalling £272,000, £111,000 and £200,000, respectively, had been repaid by 24th December, 1977. The loans outstanding from County Bank Limited were repaid in full on 29th September, 1978. The security for the loan from Industrial and Commercial Finance Corporation Limited has been released since 24th June, 1978.

7. Deferred taxation

	The Group						
	31st December					24th December	24th June
	1972	1973	1974	1975	1976	1977	1978
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Excess of capital allowances over depreciation	5	34	81	120	206	772	842
Losses	—	—	—	—	—	(285)	(240)
Capital gains	—	—	—	—	—	41	—
Other	—	—	—	—	—	—	(39)
	5	34	81	120	206	528	563

The amount of benefit which has been taken for deferred taxation which it is estimated will not be payable in the future arises as follows:—

Excess of capital allowances over depreciation	—	1	(1)	(2)	4	40	47
Stock appreciation relief	—	53	141	318	417	1,584	2,058
Capital gains tax on revaluation of fixed assets	—	—	—	—	—	140	253
Other capital gains	—	—	—	—	—	—	141
	—	54	140	316	421	1,764	2,479

8. Share capital

	Ordinary shares of £1 each	
	Authorised	Issued and fully paid
	£'000	£'000
Share capital at 31st December, 1972	100	100
Bonus issue of shares on 22nd December, 1976	400	400
	500	500
Bonus issue of shares on 19th December, 1977	500	500
Share capital at 24th June, 1978	1,000	1,000

On 23rd November, 1978 the 1,000,000 shares then in issue were sub-divided into 5,000,000 Ordinary shares of 20p each. On the same date the authorised share capital of the Company was increased to £3,600,000 by the creation of an additional 13,000,000 Ordinary shares of 20p each. On the same date reserves of £1,800,000 were capitalised and a further 9,000,000 Ordinary shares of 20p each credited as fully paid were distributed by way of a bonus issue and the issued share capital of the Company was thus increased to £2,800,000. Under the terms of a contract dated 23rd November, 1978 with County Bank Limited the Company has agreed to allot and issue a further 1,000,000 Ordinary shares of 20p each.

9. Reserves

	The Group					
	Years ended 31st December				51 weeks ended 24th December	26 weeks ended 24th June
	1973	1974	1975	1976	1977	1978
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance	298	505	815	1,430	1,820	2,388
Transfer from profit and loss account	207	310	615	790	1,068	1,287
Capitalisation	—	—	—	(400)	(500)	—
Reserves at end of period	505	815	1,430	1,820	2,388	3,675

10. Contingent liabilities

At 24th June, 1978 the Group and the Company had contingent liabilities of approximately £150,000.

Yours faithfully,
PRICE WATERHOUSE & CO.
Chartered Accountants.

INFORMATION RELATING TO THE PROFIT FORECAST

Assumptions

The forecast of profit of the Group for the year ending 23rd December, 1978 included under "PROFITS" has been compiled on a basis consistent with the accounting policies normally adopted by the Group and includes the results shown by the audited interim accounts for the 26 weeks ended 24th June, 1978. The principal assumptions on which the directors have based their forecast are that:—

1. Trading results will not be affected by industrial disputes within the Group.
2. There will be no major disruption in the supply of carpet and furniture and none of the Group's principal suppliers will cease to trade or otherwise fail to fulfil its obligations to the Group.

Letter from Auditors and Reporting Accountants

The following is a copy of a letter from Price Waterhouse & Co. concerning the profit forecast:—

The Directors,
Harris Queensway Group Limited.

23rd November, 1978

Gentlemen,

We have reviewed the accounting bases and calculations for the profit forecast, for which you are solely responsible, of Harris Queensway Group Limited and its subsidiaries ("the Group") for the financial year ending 23rd December, 1978, set out in the Offer for Sale dated 23rd November, 1978. The forecast includes the results shown by the audited interim accounts for the 26 weeks ended 24th June, 1978.

In our opinion the forecast, so far as the accounting bases and calculations are concerned, has been properly compiled on the assumptions made by you set out in the Offer for Sale and is presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully,
PRICE WATERHOUSE & CO.
Chartered Accountants.

Letter from Issuing House

The following is a copy of a letter from County Bank Limited concerning the profit forecast:—

The Directors,
Harris Queensway Group Limited.

23rd November, 1978

Gentlemen,

We refer to the forecast of profit of your Company and its subsidiaries for the financial year ending 23rd December, 1978 contained in the Offer for Sale dated 23rd November, 1978.

We have discussed with officers of your Company the bases and assumptions on which the profit forecast was made. We have also considered the letter dated 23rd November, 1978 addressed to you from Price Waterhouse & Co. regarding the accounting bases and calculations underlying the profit forecast.

On the basis of the above, we consider that the profit forecast, for which you are solely responsible, has been made with due care and attention.

Yours faithfully,
for County Bank Limited
ANDREW DEACON
Director.

STATUTORY AND GENERAL INFORMATION

Capital Changes

Immediately prior to 22nd December, 1976 the authorised share capital of the Company was £100,000 divided into 100,000 Ordinary shares of £1 each, all of which had been issued and were fully paid. On that date the authorised share capital was increased to £500,000 by the creation of an additional 400,000 Ordinary shares of £1 each, all of which were issued, credited as fully paid, by way of capitalisation of reserves. On 19th December, 1977 the authorised share capital was further increased to £1,000,000 by the creation of an additional 500,000 Ordinary shares of £1 each, all of which were issued, credited as fully paid, by way of capitalisation of reserves. On 23rd November, 1978:—

1. each of the 1,000,000 Ordinary shares of £1 was sub-divided into five Ordinary shares of 20p each;
2. the authorised share capital of the Company was increased to £3,600,000 by the creation of an additional 13,000,000 Ordinary shares of 20p each; and
3. the sum of £1,800,000, being part of the amount standing to the credit of the Company's profit and loss account, was capitalised and 9,000,000 Ordinary shares of 20p each were distributed, credited as fully paid, rateably amongst the holders of the existing Ordinary shares.

Contract with County Bank Limited

Under Contract 20 below:—

1. County Bank Limited ("County Bank") has agreed to subscribe, or procure subscribers for, and the Company has agreed to allot and issue 1,000,000 Ordinary shares of 20p each at a price of 155p per share, less a commission of 1½ per cent. (plus value added tax); and
2. County Bank has agreed to purchase from Ordinary shareholders a total of 4,000,000 Ordinary shares at a like price, less commission at the same rate (plus value added tax).

subject in both cases to the whole of the issued Ordinary share capital of the Company being admitted to the Official List by the Council of The Stock Exchange not later than 15th December, 1978, with a view to all such 5,000,000 shares being offered for sale to the public.

The Contract provides (*inter alia*) that the Company will pay the costs and expenses of and incidental to the application to the Council of The Stock Exchange, all its legal and accountancy fees and other expenses in connection with the preparation, publication, advertising and circulation of this Offer for Sale, the expenses of and incidental to the reorganisation of its share capital (including capital duty in respect of the allotment of the said 1,000,000 Ordinary shares) and the adoption of new Articles of Association, all printing charges, a fee to the Brokers and a fee to County Bank together with its expenses for acting as receiving banker. The total expenses payable by the Company are estimated to amount to £340,000 (excluding value added tax). County Bank will pay its own legal expenses and, pursuant to underwriting agreements to which the Company is not a party, commission of 1¼ per cent. (plus value added tax) of the Offer for Sale price in respect of the Ordinary shares now offered for sale. The vendor shareholders will pay all stamp duty incurred on the sale of registered shares pursuant to the Offer.

Taxation

1. The directors believe that immediately following completion of this Offer for Sale the Company will not be a close company as defined in the Income and Corporation Taxes Act 1970.
2. Shortfall and apportionment clearances (as appropriate) have been obtained for the Company and its trading subsidiaries in respect of the four financial years ended 31st December, 1976. Apportionment clearance has also been obtained for the trading subsidiaries in respect of the financial year ended 24th December, 1977. In the opinion of the directors it is not likely that any apportionment assessment will be made in respect of the profits of the Company for that year.
3. Under Contract 20 below Mr. P. C. Harris and the vendor shareholders have given indemnities in respect of taxation and estate duty affecting the Company or its subsidiaries, including any apportionment assessment in respect of the profits of the Company for the financial year ended 24th December, 1977.

Shareholdings and Interests

Immediately after completion of this Offer for Sale the interests of the directors and their families in the share capital of the Company, as shown in the register maintained pursuant to the Companies Act 1967, (exclusive of any shares which may be allotted to them following applications for any of the shares now being offered for sale) will be as follows:—

	Ordinary shares	
Name of Director	Beneficial	Non-beneficial
P. C. Harris	[illegible]	—
H. R. Sykes	35,000	700,000
D. J. Stockwell	[illegible]	700,000
S. J. Elton	[illegible]	—
G. N. Pownall	15,000	—

The non-beneficial holdings of Mr. H. R. Sykes and Mr. D. J. Stockwell represent the shares held jointly by them as two of the trustees of Mr. P. C. Harris's Children's Settlement.

Save as disclosed herein, the directors are not aware of any shareholding which will, immediately after completion of this Offer for Sale, represent five per cent. or more of the issued Ordinary share capital of the Company.

The names of the vendor shareholders and the numbers of Ordinary shares being sold by them under the Contract with County Bank referred to above are as follows:—

Name of Vendor	Ordinary shares
Mrs. P. N. Harris	[illegible]
C. J. Downs, P. L. C. Harris, D. J. Stockwell and H. R. Sykes (trustees of Mr. P. C. Harris's Children's Settlement)	[illegible]

Mr. P. L. C. Harris, a partner in Pick, Nelson, Dennes, Redfern & Co., who will receive a fee in connection with this Offer for Sale, is one of the trustees of Mr. P. C. Harris's Children's Settlement which holds 2,800,000 Ordinary shares of 20p each of the Company, including the 2,100,000 shares being sold by the trustees under the Contract with County Bank referred to above.

Articles of Association

The Articles of Association of the Company contain provisions (*inter alia*) to the following effect:—

Voting of Members

(a) Subject to any special rights or restrictions as to voting attached to any shares, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a representative or proxy, shall have one vote and on a poll every member present in person or by proxy shall have one vote for every 20p in nominal amount of Ordinary shares held by him. No holder of Ordinary shares in the Company shall be entitled to vote at a general meeting if he or any person appearing to be interested in Ordinary shares held by him has been duly served with a notice under Section 27 of the Companies Act 1976 and is in default in supplying to the Company the information thereby requested within 21 days after service of the said notice or such longer period as may be specified in the said notice for compliance therewith.

Borrowing Powers

(b) The directors may exercise all the Company's powers to borrow money but shall restrict the borrowings of the Company and shall exercise all voting and other rights or powers exercisable by the Company in relation to its subsidiaries so as to secure that the aggregate amount outstanding of all moneys borrowed by the Group (excluding intra-Group indebtedness) shall not, without the previous sanction of an Ordinary Resolution of the Company, exceed an amount equal to twice the aggregate of the amount paid up on the share capital of the Company and the amount standing to the credit of the capital and revenue reserves of the Company and its subsidiaries (all as more precisely defined in the Articles of Association).

Directors

(c) The Chairman and other directors of the Company shall be paid such remuneration (by way of fee) for their services as may be determined by the Board save that unless otherwise approved by the Company in general meeting the aggregate amount of such remuneration shall not exceed £25,000 per annum. The directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the directors or general meetings or otherwise in connection with the business of the Company. Any director who by arrangement with the directors performs services outside the scope of the ordinary duties of a director may be paid such extra remuneration as the directors may determine.

(d) The directors may appoint any one or more of their number to be the holder of any executive office on such terms as to remuneration and otherwise as they think fit. Such director shall not be subject to retirement by rotation.

(e) A director may hold any other office or place of profit under the Company (other than the office of auditor) and may act in a professional capacity to the Company on such terms as the directors may determine. No director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any director is in any way interested, be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such director holding that office or the fiduciary relationship thereby established but the nature of his interest must be disclosed. Any director may continue to be or become a director or other officer or member of or otherwise interested in any other company promoted by the Company or in which the Company may be interested as a member or otherwise or which is a holding company of the Company or a subsidiary of such holding company, and no such director shall be accountable for any remuneration or other benefits received by him as a director or other officer or member of, or from his interest in, any such other company.

(f) Subject as mentioned below, a director shall not vote in respect of any contract or arrangement or other proposal in which he has a material interest otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting. However, a director may (in the absence of some other material interest than is indicated below) vote and be counted in the quorum in respect of any resolution concerning any of the following matters:—

(i) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries or to a third party in respect of obligations of the Company or any of its subsidiaries for which he has assumed responsibility in whole or in part;

(ii) any proposal concerning an offer of securities of or by the Company or any of its subsidiaries in which he is interested as an underwriter;

(iii) any proposal concerning another company in which he is interested provided he is not the holder of or beneficially interested in 1 per cent. or more of any class of the share capital of such company;

(iv) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which he might benefit and which is subject to Inland Revenue approval for taxation purposes;

(v) any proposal in relation to the appointment of two or more of the directors to offices or employments with the Company or any other company in which the Company is interested provided that the proposal in relation to each director is taken separately and he does not vote and is not counted in the quorum in relation to his own appointment.

(g) Section 185 of the Companies Act 1948 (relating to the appointment and retirement of directors who have attained the age of seventy) applies to the Company.

(h) The directors may establish and maintain pension and superannuation funds for the benefit of and give donations, gratuities, pensions, allowances and other benefits to any persons who are or were at any time in the employment of the Company or any subsidiary or associated company and who may be or have been directors or officers of the Company or any such other company and who hold or have held executive or non-executive positions therein and to the wives, widows, families and dependants of any such persons and may establish and subscribe to all kinds of schemes, trusts and funds for the benefit of any such person.

(i) A director shall not be required to hold any qualification shares but nevertheless shall be entitled to attend and speak at any general meeting or at any separate general meeting of the holders of any class of shares of the Company.

Further Information on the Group

The Company was incorporated in England under the Companies Act 1948 on 6th May, 1957 as a private company with the name of C. W. Harris (Linoleum) Limited. The name was changed to Harris Carpets Limited on 12th December, 1973 and to the present name on 17th October, 1978. The Company was converted into a public company and adopted new Articles of Association on 23rd November, 1978. The following is a list of the Company's subsidiaries, all of which are wholly-owned private companies:—

Name	Main Activity	Date and place of Incorporation	Issued Share Capital
Queensway Discount Warehouses Limited	Furniture Retailing	6th October, 1971 England	£1,000,000
Harris Carpets Limited	Carpet Retailing	29th April, 1968 England	£1,200
J. Ross & Co. (Carpets) Limited	Carpet Retailing	23rd August, 1949 Scotland	£20,000
Park Properties (Glasgow) Limited	Dormant	18th April, 1963 Scotland	£2,000
Harris Carpets Showjumpers Limited	Promotional Activities	4th March, 1970 England	£100,000
Queensway Showjumpers No. 1 Limited	Promotional Activities	1st April, 1971 England	£57,900
Queensway Showjumpers No. 2 Limited	Promotional Activities	23rd December, 1970 England	£15,000
Orpington Carpet Wholesalers Limited	Carpet Wholesaling	26th October, 1967 England	£2,500
Queensway Warehouses (Bedford)	Dormant	25th August, 1977 England	£2

Contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into within the period of two years immediately preceding the date of this document and are or may be material:—

1. Dated 31st May, 1977, between The Shannon Limited (1) and Queensway (2), being a lease to Queensway of premises at Shannon Corner, New Malden for a term of 25 years at an initial annual rent of £125,000.
2. Dated 11th July, 1977, between the Company (1) and A. R. Parish and others (2), whereby the Company agreed to purchase the whole of the issued share capital of Queensway for a cash consideration of £2,000,000.
3. Dated 1st November, 1977, between Romford Carport Limited (1) and the Company (2), whereby the Company agreed to purchase part of the freehold property known as Romford Carport for £350,000.
4. Dated 16th November, 1977, between the Company (1), Orpington Carpet Wholesalers Limited and others (2) and Industrial and Commercial Finance Corporation Limited ("ICFC") (3), being a guarantee by the Company of all sums due to ICFC in respect of the loan referred to under Contract 19 below.
5. Dated 30th November, 1977, between Queensway (1) and Storey & Co. (Carpets) Limited (2), whereby Queensway agreed to sell freehold premises at East View, Hylton Castle, Sunderland for £350,000.
6. Dated 22nd December, 1977, between Fine Builders Limited (1) and the Company (2), whereby the Company agreed to take a lease of Harris House, 76 High Street, Orpington for a term of 25 years from 25th December, 1977 at an initial annual rent of £160,000.
7. Dated 30th December, 1977, between Hambro Life Assurance Limited (1) and the Company (2), being a lease to the Company of land at Sevenoaks Way, St. Pauls Cray, Orpington for a term of 25 years from 25th December, 1977 at an initial annual rent of £83,000 following the surrender by the Company of its existing lease for a cash consideration of £113,000.
8. Dated 15th and 16th February, 1978, being letters exchanged on behalf of B.S.C. Pension Fund Nominees Limited (1) and Queensway (2), whereby Queensway agreed to sell two freehold properties at South Road, Dundee and Ashley Drive, Bothwell for £480,000 each and to take a lease of each property for 35 years at an initial annual rent of £48,000, to be guaranteed by the Company, and to purchase leasehold property at West Harbour Road, Granton, Edinburgh for £305,000.
9. Dated 21st March, 1978, between the Company (1) and Norwich Union Insurance Group (Managed Funds) Limited (2), whereby the Company agreed to sell freehold property at High Road, Wembley for £576,000 and to take a lease of the same from Barclays Bank Trust Company Limited for a term of 35 years at an initial annual rent of £35,000.
10. Dated 17th May, 1978, between Mrs. J. Freedman and others (1) and the Company (2), whereby the Company agreed to purchase the whole of the issued share capitals of Ross and Park for a total cash consideration of £428,000.
11. Dated 20th June, 1978, being a letter from Queensway accepting a tender dated 30th May, 1978 by Farmac Construction Limited relating to remedial and other works at premises at West Harbour Road, Granton, Edinburgh at a cost of approximately £160,000.
12. Dated 28th July, 1978, between Haslemere Estates Limited and Scottish Amicable Life Assurance Society (1) and the Company (2), whereby the Company agreed to take a lease of a warehouse of approximately 157,000 square feet at Swanley, on completion of construction of the same, for a term of 25 years at an initial annual rent of £1.40 per square foot.
13. Dated 11th August, 1978, between the Company (1) and Matthew Hall Mechanical Services Limited (2), being an agreement for the installation and supply of services at the warehouse referred to in Contract 12 above.
14. Dated between 21st and 28th September, 1978, being letters exchanged on behalf of the Company (1) and Stenhouse Investments Limited (2), whereby the Company agreed to purchase leasehold premises at Blythswood Industrial Estate, Renfrew for £320,000.
15. Dated between 27th and 29th September, 1978, being letters exchanged on behalf of Albright & Wilson Staff Pension Trustees Limited and others (1) and Queensway and the Company (2), whereby Queensway agreed to sell freehold premises at Lamont Drive, Irvine for £330,000 and the Company agreed to take a lease of the same at an initial annual rent of £31,750.

16., 17. and 18. Dated 9th November, 1978, being three agreements between Queensway, Ross and Park respectively (1) and the Company (2), whereby the Company agreed to acquire the assets and assume the liabilities of each of those subsidiaries at their book values at 25th December, 1977, in the case of Queensway, and 17th May, 1978, in the case of Ross and Park, amounting in aggregate to £2,350,607.

19. Dated 21st November, 1978, between the Company (1), Queensway (2) and ICFC (3), being an agreement setting out the terms governing an outstanding loan to Queensway from ICFC of £181,237.
20. Dated 23rd November, 1978, between the vendor shareholders listed above (1), Mr. P. C. Harris (2), the directors (3), the Company (4) and County Bank (5), being the above-mentioned contract relating to the subscription and purchase by County Bank of a total of 5,000,000 Ordinary shares of 20p each of the Company.

Miscellaneous

1. On 15th March, 1977, the Company agreed to sell leasehold premises at South Street, Romford, Essex to Sarah Corsetiere Limited, a company owned by Mr. D. J. Stockwell's wife and mother in equal shares, for a cash consideration of £2,000.
2. The showjumper Philco was sold by Mr. P. C. Harris to the Company for £100,000 on 22nd November, 1977, resold to Queensway Warehouses (Bedford) at the same price on 20th December, 1977 and again resold to Harris Carpets Showjumpers Limited at the same price on 25th October, 1978.
3. On 19th May, 1978, the Company agreed to purchase Kibbles Green Farm, Brasted, Kent for a consideration of £77,500. On 23rd November, 1978, the Company transferred its interest in the property to trustees for Miss S. L. Harris, a daughter of Mr. P. C. Harris, for a consideration of £94,800, representing the market value of the property and the cost to the Company of furniture, fixtures and fittings in the property.
4. On 28th October, 1978, Miss S. L. Harris purchased a second-hand Renault 5 car from the Company for a cash consideration of £1,750.
5. Save as otherwise mentioned herein, during the two years immediately preceding the date of this Offer for Sale:—
   (a) apart from shares in subsidiaries issued to or acquired by the Company, no share or loan capital of the Company or any subsidiary has been issued for cash or for a consideration other than cash and no share or loan capital of the Company or any subsidiary is now proposed to be so issued;
   (b) no commissions, discounts, brokerages or other special terms have been granted by the Company or any subsidiary in connection with the issue or sale of any part of their respective share or loan capital;
   (c) no director of the Company has had (or now has) any interest, direct or indirect, in any assets which within the said period have been or are proposed to be acquired or disposed of by or leased to the Company or any subsidiary;
   (d) there have not been (and there are not now) any contracts subsisting with the Company or any of its subsidiaries which are significant in relation to the business of the Company and its subsidiaries taken as a whole and in which any director of the Company is materially interested.
6. No share or loan capital of the Company or any subsidiary is under option or has been agreed conditionally or unconditionally to be put under option.
7. Neither the Company nor any subsidiary has any litigation or claims of material importance pending or threatened against it.
8. There is no existing or proposed service contract between any director of the Company and the Company or any subsidiary.
9. The emoluments of the present directors of the Company amounted to £75,000 for the financial year ended 24th December, 1977. Under the arrangements now in force the emoluments of the directors are estimated to be £113,000 for the financial year ending 23rd December, 1978.
10. Without prior approval of the Company in general meeting no material issue of shares (other than shares first offered to shareholders pro rata to existing shareholdings) will be made within one year of the date of this Offer for Sale and no issue will be made which would effectively alter the control of the Company or the nature of its business.
11. The commission of £20,925 (including value added tax) in respect of the issue of 1,000,000 Ordinary shares of 20p each of the Company conditionally agreed to be subscribed by County Bank will be payable by way of deduction from the subscription price receivable by the Company. No part of the proceeds of such issue is required to be provided in respect of the purchase price of property, preliminary expenses, the repayment of monies borrowed in respect of either of the foregoing or working capital.

Consents and Documents

Price Waterhouse & Co. have given, and have not withdrawn, their written consent to the issue of this Offer for Sale with the inclusion herein of their report and their letter together with references thereto set out in the form and context in which the same appear. Smith Melzack & Co. have given, and have not withdrawn, their written consent to the issue of this Offer for Sale with the inclusion herein of references to their valuations and to their confirmation as to the value of the properties owned by Ross and Park in the form and context in which they appear. County Bank has given, and has not withdrawn, its written consent to the issue of this Offer for Sale with the inclusion herein of its letter set out in the form and context in which it appears.

Such consents, together with the statement of adjustments made by Price Waterhouse & Co. in arriving at the figures shown in their report and giving their reports thereon, and copies of the above-mentioned contracts, were attached to the copies of this Offer for Sale delivered to the Registrar of Companies.

Copies of the following documents will be available for inspection at the offices of Travers Smith, Braithwaite & Co., 6 Snow Hill, London EC1A 2AL during normal business hours on any weekday (excluding Saturdays) for a period of 14 days from the date of publication of this Offer for Sale:—

(a) The Memorandum and Articles of Association of the Company.
(b) The audited consolidated accounts of the Company and its subsidiaries for the financial years ended 31st December, 1976 and 24th December, 1977 and the 26 weeks ended 24th June, 1978.
(c) The contracts referred to above.
(d) The Accountants' Report and statement of adjustments and their above-mentioned consent.
(e) The valuations of Smith Melzack & Co., the letter containing their confirmation referred to above and their above-mentioned consent.
(f) The above-mentioned letters relating to the forecast of profit.
(g) The above-mentioned consent of County Bank.

PROCEDURE FOR APPLICATION

Applications must be for a minimum of 200 shares and must be made on the forms provided, in accordance with the terms thereof, and must be in the following multiples:—

Applications for not less than 200 shares and not more than 1,000 shares	in multiples of 100 shares
Applications for over 1,000 shares and not more than 10,000 shares	in multiples of 500 shares
Applications for over 10,000 shares and not more than 20,000 shares	in multiples of 1,000 shares
Applications for over 20,000 shares	in multiples of 5,000 shares

Each application must be accompanied by a separate cheque for the full amount payable on application and be forwarded to County Bank Limited, New Issues Department, P.O. Box 79, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD, so as to arrive not later than 10 a.m. on Thursday, 30th November, 1978. Cheques, which must be drawn on a bank, or branch thereof, in and be payable in England, Scotland or Wales, or drawn on a clearing bank branch in the Channel Islands or the Isle of Man, must be made payable to County Bank Limited and crossed "Not negotiable".

County Bank Limited reserves the right to present all cheques for payment on receipt and to retain Letters of Acceptance and excess application moneys pending clearance of applicants' cheques. Due completion and delivery of an Application Form, accompanied by the necessary cheque, shall constitute an undertaking that the cheque will be honoured on first presentation; a warranty to that effect is contained in the Application Form. County Bank Limited reserves the right to reject any application in whole or in part and, in particular, to reject applications which in its opinion are multiple or suspected multiple applications.

Preferential consideration will be given (up to an aggregate of 500,000 shares) to applications made by employees of the Group (including executive directors) on the special pink forms available to them. Such applications must be for 100 shares or a multiple thereof.

Acceptance of applications will be conditional upon the whole of the issued Ordinary share capital of the Company being admitted to the Official List by the Council of The Stock Exchange on or before 15th December, 1978. Moneys paid in respect of applications will be returned if such admission is not granted by that date and in the meantime will be retained in a separate bank account. If any application is not accepted, or is accepted for fewer shares than the number applied for, the application moneys or the balance thereof, as the case may be, will be returned by cheque through the post at the applicant's risk.

Arrangements have been made for the registration by the Company of the Ordinary shares now being offered for sale, free of stamp duty, in the names of the persons entitled thereto under the terms of the Letters of Acceptance, which will be renounceable up to and including 10th January, 1979. Share Certificates will be despatched on 9th February, 1979.

Copies of this Offer for Sale with Forms of Application may be obtained from:—

County Bank Limited
11 Old Broad Street, London EC2N 1BB.

86 King Street, Manchester M2 4NR.

West Riding House, 67 Albion Street, Leeds LS1 5AA.

1 Randolph Crescent, Edinburgh EH3 7TH.

Wellesley House, 37 Waterloo Street, Birmingham B2 5TJ.

New Issues Department, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD.

L. Messel & Co., Winchester House, 100 Old Broad Street, London EC2P 2HX.

Harris Queensway Group Limited, Harris House, 76 High Street, Orpington, Kent BR6 0LX.

and from principal branches of National Westminster Bank Limited.

Dated 23rd November, 1978

THE APPLICATION LIST WILL OPEN AT 10 A.M. ON THURSDAY, 30th NOVEMBER, 1978 AND WILL CLOSE AT SUCH LATER TIME ON THE SAME DAY AS COUNTY BANK LIMITED MAY DETERMINE.

HARRIS QUEENSWAY GROUP LIMITED

Offer for Sale
by
COUNTY BANK LIMITED
of 5,000,000 Ordinary shares of 20p each at 155p per share payable in full on application

FORM OF APPLICATION

To COUNTY BANK LIMITED

* Number of shares for which application is made	Amount of cheque enclosed
	£

*Applications must be for a minimum of 200 shares and thereafter in multiples of 100 shares up to 1,000 shares; thereafter in multiples of 500 shares up to 10,000 shares; thereafter in multiples of 1,000 shares. Applications in excess of 20,000 shares must be in multiples of 5,000 shares.

Gentlemen,

Having paid the above-mentioned sum being the amount payable on application for the stated number of Ordinary shares I/we hereby apply to purchase that number of shares.

I/We agree to accept such shares or any smaller number in respect of which this application may be accepted subject to the Memorandum and Articles of Association of the Company and to the several terms and conditions contained in the Offer for Sale dated 23rd November, 1978. I/We request that you issue to me/us a renounceable Letter of Acceptance for the number of shares or such smaller number and/or a cheque for any amount overpaid, by post at my/our risk to the address (first) given below.

I/We warrant that the accompanying cheque will be paid on first presentation.

I/We declare that I am/we are not resident outside the Scheduled Territories† and am/are not applying for the above-mentioned shares as nominee(s) of any person(s) resident outside those Territories.

If this declaration cannot be made, it must be deleted and reference must be made to an Authorised Depositary‡ or to an Approved Agent in the Republic of Ireland (through whom this form must be lodged.)

Dated ...., 1978.

First or Sole Applicant (1) Usual Signature ....

Please Use Block Letters

All Christian Names or Forenames ....

Surname (State Mr., Mrs., Miss or Title) ....

Address in full (including postcode) ....

A corporation may complete under hand by a duly authorised officer who should state his representative capacity. All joint applicants must sign.

JOINT APPLICANTS (if any)

(2) *Signature* ....
All Christian Names or Forenames ....
Surname (Mr., Mrs., Miss or Title) ....
Address in full (including postcode) ....

(3) *Signature* ....
All Christian Names or Forenames ....
Surname (Mr., Mrs., Miss or Title) ....
Address in full (including postcode) ....

(4) *Signature* ....
All Christian Names or Forenames ....
Surname (Mr., Mrs., Miss or Title) ....
Address in full (including postcode) ....

A separate cheque must accompany each application

Instructions—

1. Cheques (drawn on a bank, or branch thereof, in and payable in England, Scotland or Wales or drawn on a clearing bank branch in the Channel Islands or the Isle of Man) must be made payable to "County Bank Limited" and crossed "Not Negotiable".
2. This form should be completed and sent to County Bank Limited, New Issues Department, P.O. Box 79, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD together with a remittance for 155p per share on the number of shares applied for, so as to reach it not later than 10 a.m. on Thursday, 30th November, 1978.
3. No receipt will be issued for the amount paid on application but an acknowledgement will be forwarded either by renounceable Letter of Acceptance (together, if applicable, with a cheque for any amount overpaid) or by return through the post of a cheque for the amount paid on application.

Definitions—

EXCHANGE CONTROL ACT 1947

† The Scheduled Territories at present comprise the United Kingdom, the Channel Islands, the Isle of Man, the Republic of Ireland and Gibraltar.

‡ Authorised Depositaries are listed in the current issue of the Bank of England's Notice EC1 and include most banks and stockbrokers in, and solicitors practising in, the United Kingdom, the Channel Islands or the Isle of Man. An Approved Agent in the Republic of Ireland is defined in the current issue of the Bank of England's Notice EC10 as a bank in the Republic of Ireland, a member in the Republic of Ireland of The Stock Exchange or a solicitor practising in the Republic of Ireland.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 886341/2, 883897
Telephone: 01-248 8000

Monday November 27 1978

On the road to EMS

THE BRITISH Government's Green Paper on the European Monetary System is a major step forward in both the Government's attitude towards the European Community and towards the management of the domestic economy. It discusses membership of the Community as if it were an asset rather than a burden, and at the same time it contains the Government's strongest commitment to date to a policy of a firm exchange rate and monetary control.

Conversions

It is the change in the tone of the language towards the Community that is perhaps most striking. In one paragraph the Government actually speaks, as though it means it, of "the true spirit of Community action." In another, having stated that there is no objection in principle to entering international agreements to maintain stability in the exchange rate with the help of co-operative credit and reserve asset arrangements, the Government adds: "It is wholly appropriate that we should do this within the European Community to which we belong." The italics are ours, but the phrase itself represents a world of difference from the previous approach that Britain was somehow a member of Europe rather against her will. It also implies a welcome determination to stand up to the anti-Europeans in the Labour Party.

It is true that, by stressing the need for a Community approach, Britain is seeking a say in the systems development which would not automatically be available in a system which by-passes Community institutions. But the tone still matters. Had the Government been prepared to speak like this from the moment when EMS first came up last spring, there would have been almost no end to the way it could have improved its negotiating position. The point extends to substance. It now appears that the Government is, at least theoretically, in favour of something approaching European Monetary Union, but is opposed to a system that is little more than a variant of the present European currency snake. The outsider can be forgiven for having assumed, on the basis of all available evidence, that the Government was against both. Yet if the Government had said earlier that it favoured EMU, and put up its own substantive proposals instead of talking about the technicalities of EMS, the whole negotiation might have been transformed. The Green Paper is evidence of lost opportunities as well as of an eleventh-hour conversion.

The experience of the negotiations so far, coupled with events at home, seem however at least to have concentrated the mind. The commitments to a firm exchange rate and to control of the money supply, even outside a European system, have never been as strong. "Whether the UK joins the exchange rate mechanism of the EMS at the outset or not," the Green Paper says, the Government will continue to give top priority to fighting inflation. And again: "The Government for its part has made it clear that it does not regard exchange rate depreciation as a solution to the economic problems facing the UK." The German, and nowadays also the French, argument that the way to maintain competitiveness is to control inflation rather than devalue the currency has been accepted, and never more so than in the following sentence: "Once a virtuous circle of exchange-rate stability, lower costs, greater stimulus to efficiency has been established, the effects of any initial loss of price competitiveness may be removed." That, too, is a conversion to be welcomed.

Asymmetry

It remains true that in terms of EMS and the January 1 deadline the conversions are somewhat late. There is an element of St. Augustine's "Lord make me chaste, but not yet." But if the conversions are genuine, there is still a great deal to be played for. There are, after all, others in the Community who might accept the British position that the snake is not enough: monetary union has altogether more charms. It cannot be Britain alone which is worried about the asymmetry of obligations between weaker and stronger member-currencies, or about the mechanics of intervention on the foreign exchange markets. Provided that the Government means what it says, it is the merit of the Green Paper that it makes possible a more fundamental negotiation, even at this late hour.

The test for cash limits

THE rate support grant local authorities receive from the Exchequer has come to be used to serve so many purposes that it is rare indeed for all of them to be met. The practice of paying grant began many years ago when the range and cost of local services started to outstrip the capacity of local councils' own tax base—that is local property rates—and even today one of the main factors Ministers consider when deciding the size of each year's grant is the level of rates increases it is reasonable to expect ratepayers, as distinct from taxpayers, to bear.

As local authorities' demands upon the national income have grown, however, so Ministers have come to regard the grant as one of their main instruments for influencing the totality of local spending while leaving councils a measure of discretion in detail. As the taxpayers contribution has grown, too, so it has become more important to distribute the grant in a manner which makes due allowance for differences in local needs and resources while, at the same time, moderating the extent of the changes in any one year in the interests of stability for both councils and ratepayers.

Generous

On Friday, when Mr. Peter Shore, the Environment Secretary, announced the arrangements for rate support grants in 1979-80, he placed particular emphasis upon the case for stability. The overall grant percentage is to be maintained at 61 per cent for the third year running. This could be said to be erring slightly on the generous side but he has used the leeway to make two main changes in the allocation of grant while limiting their adverse effects in any one area.

The first change is to give a considerably larger needs grant to London, especially inner London. The other is to pay an appropriate share of the needs grant direct to district councils in shire counties. As a result a number of councils will gain, in some cases handsomely so, while about 40 per cent of all rating authorities will lose in real terms but in no case will the loss arising from these particular changes be more than the equivalent of a 2p rate.

This measure of stability—if indeed this is the appropriate term—is doubly welcome. The marked shift in grant share towards the big cities and away from other parts of the country which has taken place in recent years has raised serious doubts not only as to whether the changes have been pushed too far but, more worryingly, about the basis of the allocation system itself. Even the local authority associations whose members have gained most benefit have expressed concern on practical—if not yet on conceptual—grounds.

Assumptions

A further, and more crucial, factor is the importance which the Government is attaching to next year's grant as a restraint upon local spending. Its effectiveness for this purpose has been much enhanced by the introduction of cash limits, but the robustness of the cash limit system is likely to be put to its first real test in the coming year. Next year's limit has been set in line with the Government's current pay policies and with the corresponding Treasury assumptions about the rate of inflation, and it was upon this basis that Mr. Shore foreshadowed average rates increases next April within single figures.

When local councils make their decisions in February, the local authority manual workers' pay claim will have been settled, but they will not know whether the cash limit will be reviewed in a year's time, as Mr. Shore has undertaken to do if his assumptions are "substantially" wrong, or indeed which Government and which Ministers they will have to deal with then and their policy towards cash limits in the public sector generally. The present Government is doubtless hoping that cash limits will stiffen employers' attitudes in the forthcoming local authority pay negotiations. If they do not, ratepayers can say goodbye to single-figure rates rises next year—and doubtless to single-figure inflation as well.

Devolution: ready for the off

THE BRICKS and mortar of devolution are clearly unstable. Journalists who have been invited to look round the building that will house the Scottish Assembly in Edinburgh are being asked to sign a form releasing the Government from liability for accidents or injuries. But if the fabric still has to be shored up, what about the constitution of the United Kingdom?

It is a question which, after months and years of waiting for the Devolution Bills to inch their way through Parliament, is becoming topical again. Last week the Order in Council enabling referendums to be held in Scotland and Wales on March 1 was approved by the Commons. North of the border it had already been anticipated.

The Labour Party, with £50,000 voted to it by Transport House in London, has been gathering its forces for the "yes" campaign for a fortnight. The Scottish National Party is printing leaflets and stickers in preparation for its onslaught in the new year. On the other side, Scotland Says No, which will have the support of the Conservatives and of many employers, is preparing to go public next Thursday on St. Andrew's Day with a big advertising and publicity campaign.

Public interest in devolution is picking up. Two of the most vociferous campaigners, Mr. Tam Dalyell, MP for West Lothian and champion of the "no" group, and Mr. Jim Sillars, MP for South Ayrshire and a strong "yes" man, have put together a travelling devolution road-show. By all accounts, they are playing to packed houses up and down Scotland.

Deposits lost

It is an irony that the SNP after its meteoric political successes in 1974 and 1975 should have slumped in popularity and that it should be suffering a crisis of leadership at this of all moments. From above 30 per cent for most of last year, the Nationalists have steadily fallen in the monthly polls carried out by System Three for the Glasgow Herald. Now they are hovering around the 20 per cent mark. In three important by-elections this year their candidates failed to make the headway expected and in the latest, at Berwick and East Lothian, the SNP vote was halved and the deposit lost.

The party of Scottish independence has always had two routes to its goal. The direct path was by way of sending a strong group of MPs to Westminster (more than 36, which is half the total seats in Scotland), thereby forcing the Government of the day to recognise the will of the Scottish people and to begin negotiations to dissolve the Treaty of Union of 1707. The gradual path was via a devolved Assembly, controlled by the SNP and used to show Scots that self-government works and that they ought to have more of it.

Unless there is a complete reversal of the existing position the first option has been closed. The indications are that at a general election next year Labour will consolidate its dominance and that the Conservatives—in spite of their poor showing in the polls—will pull back some of the seats lost to the Nationalists in 1974.

The second option depends on the events of the coming months. The SNP has left it late to try to wrestle back from the Government the kudos that goes with giving back to Scotland a Parliament of its own. Sensing its advantage, Labour has refused to join an umbrella organisation to campaign for a "yes" vote with the Nationalists and is intent on making the running.

Resounding vote

It is a gamble, of course, since no one can be really sure that the referendum will result in a resounding vote in favour of devolution. But if the gamble comes off, the rewards are high. The party that comes out of the referendum campaign having gauged the mood of the electorate most closely, obviously has an advantage in the other political campaigns of next year: a general election—perhaps in the spring: the European elections: and the elections for the Assembly itself. Without a majority in the Assembly the SNP will be hard put to further the cause of Scottish independence.

This analysis is widely shared by the parties in Scotland and has notably come back into fashion with the Conservatives. Two weeks ago in a private session at the conference of the Scottish party in Motherwell, delegates came as near as it is possible to do in genteel Tory circles to giving Mr. Teddy Taylor, MP for Cathcart and Mrs. Margaret Thatcher's chief Scottish spokesman, a bloody nose.

The policy that he advocated at the beginning of the year, which envisaged the Conservatives leading the "no" campaign in confident expectation of a crushing defeat for the devolution package, has been quietly modified in the light of the Berwick by-election. Devolution was clearly the decisive factor in enabling Labour to increase its lead north of the border while, on the same day, its majority was being cut in two in the English constituency of Pontefract.

The Tories will take a much less aggressive stance in the referendum campaign so that if the vote goes against them, they can escape some of the consequences. There will be no overall Conservative campaign. Even the constituency parties will be urged to join Scotland Says No, but individuals and even whole local organisations, if they wish, will be free to follow their consciences and campaign on the other side.

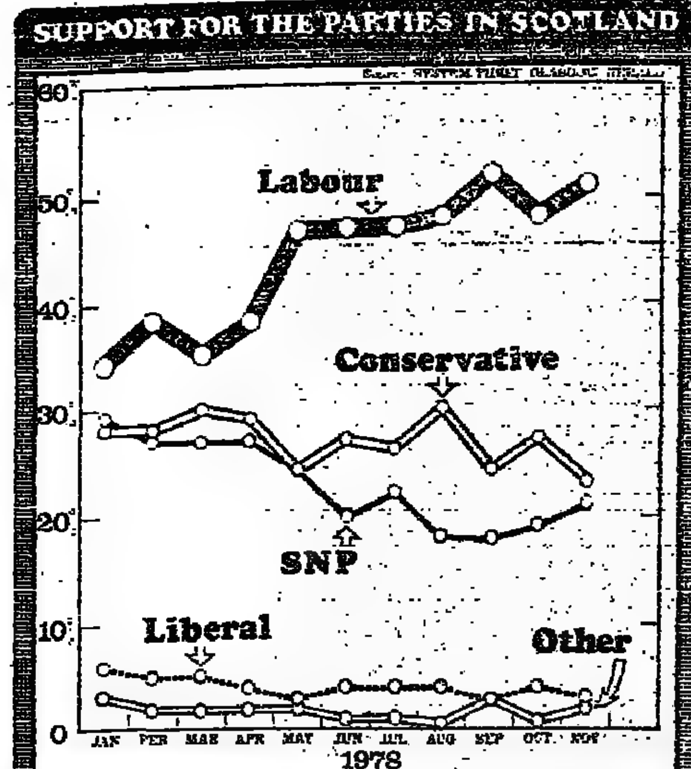
No central funds will be allocated to the fight, and staff at Central Office in Edinburgh will hardly become involved. Mrs. Thatcher—unlike Mr. James Callaghan, the Prime Minister—will not be journeying north.

Most remarkably, the Tory alternatives to devolution, which were kept alive against some opposition by Mr. Francis Pym during his tenure as front bench devolution spokesman, are to be stressed and a weighty document written by him which runs through the options (including some, like federalism, which go further than what the Government is proposing) is likely to be published as a pamphlet next month.

The Conservative Party may not like the idea of a Scottish Assembly meeting in Edinburgh, but if the referendum result means that it is to be set up, the Tories want to be sure they retain sufficient credibility to stand for election as Assemblymen.

Ray Perman

SUPPORT FOR THE PARTIES IN SCOTLAND



All to fight for

STRANGE to say, much doubt surrounds the outcome of what will be a St. David's Day referendum on the Welsh Assembly. As the Crossman Diaries make clear, the impetus for devolution originally stemmed from the Welsh Nationalists' breakthrough in the Carmarthen by-election in 1966 and their strong showing in a Rhondda by-election in March 1967. The alarm expressed by Welsh Labour ministers and MPs about these inroads into traditionally rock solid Labour seats persuaded Mr. Harold Wilson to start the devolution bandwagon by appointing the Crowther (later Kilbrandon) Commission on the constitution.

Labour, the dominant party in Wales, was calling for an elected Welsh Assembly with legislative teeth throughout the late 1960s and early 1970s when its counterpart in Scotland was refusing to have any truck with devolution. Only after Labour came to power in 1974 and a devolved assembly became a practical reality, was the Welsh party executive pursuaded to drop its demand for legislative powers, only to find Scotland later being offered the kind of devolution Wales had originally pressed for.

The net result of those beginnings, of the relative strengths of Plaid Cymru (three out of 36 seats at Westminster) and the SNP (11 out of 71) and of the tortuous parliamentary battles which followed, is to put before the people of Wales next March a much more modest innovation than the one to be decided in Scotland.

Scots will be voting for or against a mini-Westminster—a Chief Minister and executive controlled by an elected assembly with law making powers. The Welsh will have before them more of an executive regional authority.

The Wales Act confers the devolved powers on the Assembly itself and provides for it to carry out its functions through a series of specialist committees. The nearest thing to a Welsh Government will be an Assembly executive committee made up of the chairmen or "leaders" of the specialist committees.

The powers to be devolved are simply those nominally held by Ministers in the fields of health, education, transport, social and environmental planning, and a host of other minor matters. In practice these are exercised by a host of nominated bodies of which Wales has more than its fair share, because a great deal of administration has already been devolved to the Welsh Office. At the last count, the Welsh Secretary of State was responsible for some 2,500 appointments to over 70 such bodies.

But the Secretary of State will retain a fair part of his present powers, and Westminster keeps complete control over primary legislation affecting Wales. The proposed Assembly appears a modest constitutional reform. More than Scotland's, the Welsh Assembly could one day provide a working model for devolved Government to the English regions.

As the referendum approaches, the Assembly's supporters are clearly going to have to work hard to rebutt the charges of its opponents: that it represents the slippery slope of separatism, that it will undermine the close economic relationship with England, and that it will lead to domination by the 20 per cent Welsh-speaking minority.

A majority of the electorate in Wales still seems set to vote against the Assembly. The latest public opinion poll on the subject, by the BBC in September, showed only 38 per cent intending to vote in favour. Those against totalled nearly 48 per cent. Compared with a similar poll in May, the result, in fact, indicated a hardening of opinion against the Assembly.

But interestingly, these polls are not reflected in the mood of the pro- and anti-assembly camps. Among the pro-forces there is a feeling of quiet optimism that, with concentrated effort, they can win. The notorious 40 per cent rule (demanding that not only a majority of the votes but also 40 per cent of the electorate must approve the Assembly) is regarded increasingly as irrelevant. If there is a majority in a respectable turnout, it is felt, Westminster will not risk bringing democracy into disrepute by repealing the Assembly Act.

The antis, on the other hand, are giving the impression that their best chance of preventing a Welsh Assembly has passed with the failure to kill the Bill in Parliament. They are well aware that now that the battle is switching to Wales itself, most of the big guns will be fighting for the Assembly.

Two main organisations are gearing up on the pro-Assembly side. The first is the Wales for the Assembly campaign which began as a mainly Lib-Lab umbrella organisation, but has been broadened to include representatives of every political party, except the Conservatives. Plaid Cymru decided to support this campaign only last month, after a lot of debate about backing what many condemned as a totally inadequate measure.

The second will be a separate Labour-Wales TUC-Co-operative Party campaign to provide a platform for ministers and trade union leaders. It will be helped by £35,000 just authorised by Transport House in London for the Welsh campaign.

An umbrella for the "noes" has so far emerged only in the south-east corner of Wales, in Gwent. The main anti-Assembly machine, the Conservative Party, is still working to get similar organisations off the ground elsewhere—an announcement from Pembrokeshire is promised shortly—but it confesses to be having difficulty in getting people together.

The sizeable number of anti-devolutionists within Labour's ranks, led by Mr. Neil Kinnock and Mr. Leo Abse, are definitely not prepared to shelter under one umbrella with the Tories. They plan to launch their own Labour says No campaign shortly.

Finance may prove to be a problem for the antis in getting their message across. The Conservatives will not, it seems, be receiving funds for the Welsh Campaign from Central Office and they may hesitate to tap Welsh sources too vigorously with a general election battle in the offing. Equally, the CBI categorically denies suggestions that money will pour across Offa's Dyke to finance the anti-Assembly Campaign. The CBI role, it insists, will be limited to pointing out the possible dangers of devolution for industry and commerce, not so much from the assembly as proposed, but from what it might become.

Looking at the line-up of forces, it would be unwise to predict the Wales Assembly will definitely be rejected. As in the 1975 EEC referendum, the result seems to hinge very much on the campaign.

Robin Reeves

MEN AND MATTERS

Staying put at Tiffany's

Apart from conjuring up visions of door-to-door salesladies touting silverware, the proposed Avon-Tiffany's merger announced last week promises to make at least one rich man richer: Walter Hoving, the 80-year-old chairman of Tiffany's, holds 18 per cent of the stock, which is worth US$18m if the deal goes through.

Tall, silver-haired, and very much in command, Hoving is adamant that whatever upheavals the merger causes, he stays, if only to beat the record set by the founder Charles Tiffany, who retired at 92.

Swedish-born Hoving is in fact an outsider in a family business that was founded in 1837. After working his way up through other New York stores, amassing a fortune and a sharp business sense, Hoving bought his stake in Tiffany's in 1955 and had himself appointed chairman within weeks.

Fifth Avenue legend has it that he immediately held a knock-down sale of everything he thought badly designed, and since then he has rigorously imposed his own impeccable taste on everything the business makes or sells. He even told Citicorp, New York's most powerful bank, that its Christmas tree in Park Avenue was "vulgar," and asked them to remove it.

In the store itself, he tours the floor regularly, ensuring that everyone is treated with equal courtesy, including those just sheltering from the rain. This solicitude may owe something to his religious convictions. Hoving firmly believes that the Lord has helped him with his difficult business decisions.

Whatever the explanation, Hoving's ideas work. Under his leadership, Tiffany's has grown in size and profitability. The stern citadel-like headquarters is currently shrouded in scaffolding as builders add three more storeys to house extra workshops. Last year, Tiffany's sold $60m worth of some of the most expensive trinkets around. This year it expects to sell $73m.

No surprise Avon is interested, and no surprise either that Avon promised Hoving he could stay and do things his way.

Under analysis

"Accountants record retrospectively and actuaries assess the infinite. We measure the middle distance." Thus Dick Allen, genial director of J. and A. Scrimgeour, who has just been appointed chairman of the *Society of Investment Analysts.*

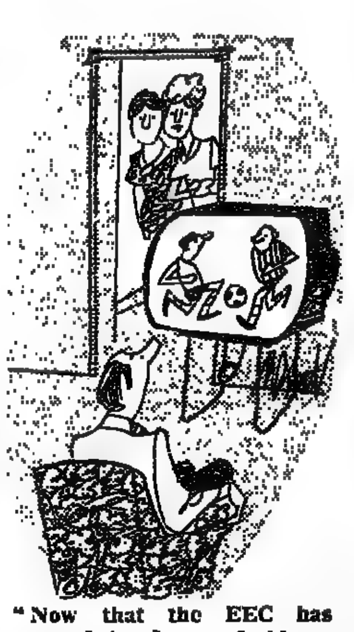
"Middle distance" seemed a clear enough idea, but I had to admit to finding the SIA's bulletins, well, a little baffling. He was quick to reassure me that some of his members did too. He is optimistic that, with the introduction of exams next year, comprehension of the bulletins—as well as the SIA's status—will rise a peg or two.

Would he have to take the exam himself? "There is a grandfather clause—as always."

Allen says there is a danger of the standard of analysis here being overtaken by our continental cousins: "The contribution of the UK to the European Federation of Analytical Societies in Brussels was not as strong as it should have been." But the SIA is being increasingly consulted by the EEC Commission on matters such as directives on company disclosure. It has also contributed to the various draft company bills.

Allen wants to make sure that the terms used to describe insider dealings are better defined and is worried that ambiguous phrases like "acting on information not generally available" could, despite Department of Trade assurances, work against analysts. Companies, he says, might be more worried about answering analysts' questions out of concern that they show "insider" knowledge.

"Not available on request" is the sort of phrase he prefers. As it is, he feels the standard of company disclosure has risen in recent years—though stresses it would be higher if legislation already on the statute books were properly implemented.



"Now that the EEC has stepped in, I am afraid we might get a football mountain."

Wall papers

The wallposter fever which has swept Peking reveals more than just the wish, on the part of the man on the Liangsiang omnibus, for a freer life. Like any Western subway, the wallposters give ample scope to the ratbaggery, crackpottery and grudge-hoarding that unites the world.

Typically, one peasant spent an hour yesterday pasting up a 20-page reminder of how unkind the nationalist government had been to his village—in 1947.

Another lengthy open letter is the message of a disgruntled mathematician, who claims he has been cheated of recognition as a genius. Nearby is the elegantly calligraphed message: "While reading posters on Sunday I lost my watch. Would finder please return?"

Consumer reaction

Even the most vigorous of the septuagenarians who attended the second "Distinguished Company Luncheon" recently seemed heartened by the fiery Salvation Army Commissioner Catherine Bramwell, who spoke to them about how *nice it would be not to be old.* Appropriate subject—the lunch was to raise money for Age Research, and the company was properly aged and distinguished.

One of my neighbours at table, Lord Longford, seemed, at 72, a mere stripling by comparison with the commissioner. Now 95, her one concession to age seemed to be the presence of her sister Olive, who gave explicit verbal guidance during her speech. "I think I should stop now," said the indefatigable commissioner. "Yes you should," said Olive. A few minutes later her sister had got on to the subject of how she would like to emulate Moses and live to 120. "Finish up," said Olive.

Every after-dinner speaker, one feels, could do with an Olive Bramwell.

Now read on

A reader just back from Egypt tells me that when he asked a guide at Luxor about some hieroglyphics at the foot of one of the pyramids he was given a disarming smile — "It says 'Continued on pyramid 3, column 2'."

Observer

FINANCIAL TIMES SURVEY
Monday November 27 1978

Scotland

The proposals for devolution and the introduction of a Scottish assembly raise strong passions on both sides and the result of the referendum next March will have major implications for life north of the border.

Voting for its future

By Ray Perman
Scottish Correspondent

TO SAY that Scotland is embarking on a year that could be as significant as 1707—as some people are doing — is probably an exaggeration. There will be nothing quite as dramatic as the absorption of the Scottish Parliament into the English. But politically and economically 1979 could mark a turning point in relations with the rest of the United Kingdom.

The year ahead will be a busy one, with elections to the European Parliament, a general election and the referendum on devolution, which we now know will be held on March 1. The incredible twists and turns in politics north of the border over the past decade should make us cautious about assuming any results, but it is safe to say that a lot depends on the outcome.

The Labour Party has been the first to spell out its plans for the referendum, which it is taking very seriously, having decided to devote £50,000 to the campaign for a "Yes" vote. How much support the Government will give to its own policy to set up a legislative assembly in Edinburgh, is not yet clear. Ministers will be expected to abide by the doctrine of collective responsibility and support the "Yes" campaign, but how many will be prepared to take an active part in it remains to be seen.

The Scottish National Party, which is well provided with fighting funds by two substantial bequests, will also be campaigning heavily for the assembly and the Liberals, although desperately short of money and stretched to the limit by virtual constant campaigning, will lend at least moral support.

Of the political parties, that leaves only the Conservatives to fight on the "No" side. At the moment they are committed to do so strongly. Mr. Norman St. John Stevas has not had enough time in his new job as constitutional spokesman on the Opposition Front Bench to come to any independent conclusions, but it is extremely unlikely that he will make any fundamental changes.

The devolution issue is one that raises strong passions on both sides and there will be a number of notable dissidents on both sides. Yet as the lines are now drawn up, the Tories will be fighting virtually alone. In general they have the support of business in Scotland, as the "Yes" campaign has the support of the trade unions. But no major company has yet committed itself to putting money into the campaign.

Register

For the referendum to succeed there must not only be a majority of voters in favour, but the number voting "Yes" must be equal to or more than 40 per cent of the whole electorate. The fact that the vote will be taken two weeks after the new register comes into effect will be of some help to the "Yes" campaigners, but the hurdle will be a difficult one to surmount.

If the result is in favour of a Scottish Assembly, then the first elections could be held next autumn and by this time next year the new body could be meeting to draw up its standing orders and elect its committees.

The European elections, for the eight Scottish seats and the General Election are too far away for any accurate predictions to be made of their outcome. Labour presently has a commanding lead in the opinion polls, but similar leads have been overturned before.

A Labour victory in a General Election is likely to mean an increase in the budget of the Scottish Development Agency (already promised in the Queen's Speech) and possibly legislation to give the Highlands and Islands Development Board the extra powers it has asked for to intervene in the land market where there is evidence of deliberate neglect of estates. A Conservative Government would almost certainly retain the agency, but is likely to limit its freedom to invest in private companies, and is extremely unlikely to accede to the Highlands' Board's demands.

Aspects of national economic policies are also likely to affect Scotland. A Conservative energy policy, encouraging intensive development in the North Sea, would help those companies and areas which provide goods and services to the oil industry (at least in the short term), and since the next Government will be the one which has the decisive say over the spending on Petroleum Revenue Tax and other revenues from oil, a decision on whether these should be used to boost consumption or provide more direct public investment in industry will have a profound effect on the development of the Scottish economy.

In the shorter term—the next few months—the Scottish economy is likely to take a more predictable path. Recently it has been enjoying a mini-boom resulting from the increase in consumer spending, which has been prompted by the lower inflation rate and the consequent rise in real incomes.

Settlements

This state of affairs is likely to persist for a while, particularly if, as seems likely, wage settlements are above five per cent. It will take some time before larger settlements work their effect through to prices, so the real level of spending looks set to stay ready or go on rising, even if the Chancellor decides to limit the effect by fiscal measures.

The Fraser of Allander Institute at Strathclyde University, using its econometric model of the Scottish economy, is currently predicting that overall growth in the economy could be as high as 2.8 per cent during 1978. Given a slightly different view of some of the parameters, this is approximately the same figure predicted for the UK as a whole by the London Business School.

The Institute believes that unemployment could go on dropping until next March. What happens to the figures after that time will depend not only on the path of the economy, but also on the number of school leavers. Over the next five years there is likely to be a growth in the number of school leavers, reflecting the high birth rates of 15-20 years ago.

The Institute's relatively optimistic outlook is unusual. Last year its forecasts were marked by pessimism. But it should be pointed out that the new, brighter view is not universally shared. The latest CBI trends survey for Scotland showed that although there was a significant fall in the number of firms working below full capacity (from 64 to 56 per cent), employers did not expect any increase in manufacturing employment. Some 83 per cent of respondents said they had adequate capacity to meet expected demand and a further three per cent said that although their capacity was inadequate, they did not intend to increase it.

Confidence about future investment slumped back to its low level at the beginning of the year and can be expected to have fallen further in response to the latest increase in interest rates.

Devolution debate warms up

FOR A SCOT to admit that he will be glad to see the arrival of St. David's Day is unusual, especially as the admission comes just a few days before his own patronal festival of St. Andrews. But the Welsh festival coincides next year with voting day on devolution and the whole business community in Scotland will be enormously relieved to have got through the weeks between now and March 1.

The majority of industrialists have little sympathy for the principle of a devolved Scotland. Anything that even hints at another layer of bureaucracy is widely opposed and there is a general feeling that a Scottish assembly would lead to even more diffusion in the decision-making process. This considerable weight of opposition might be concentrated in Glasgow and the industrial heartlands of Scotland around the Clyde but it is almost as universally felt along the east coast and among those in the Highlands.

This feeling is held despite the fact that business will not be directly affected by any Scottish assembly. Economic, trade and industrial questions will continue to reside with the central government at Westminster and therefore be dealt with, as far as Scotland is concerned, by the Scottish Economic Planning Department. The Scottish Development Agency will certainly become an arm of any assembly but that might be considered a stabilising factor. Industry and commerce now know how, and in what fashion, the SDA works and there is considerable respect among business for the way it has gone about its operations. So this could be said to be a stabilising factor.

Uncertainty

Industry, however, does not quite see it that way. To begin with, it feels that the 13 weeks between now and March 1 will be a period of considerable uncertainty. Although the Fraser of Allender Institute has shown that the Scottish economy is growing at a faster rate than at any time since 1973 the Scottish council of the Confederation of British Industry takes a less optimistic line.

It believes that investment intentions have dropped back after a summer surge, that early summer optimism about export prospects has had the edge taken off it, that there has been a loss of price competitiveness following the strength of sterling and that there is little likelihood of any increase in manufacturing employment.

The Fraser of Allender report is not thought to be wrong about where the economy is going so much as misguided at the speed with which it is going forward, according to the CBI. Uncertainty is the key word among its members.

Devolution adds another dimension to that uncertainty. And it is not just a matter of whether Scotland will vote Yes or No for an assembly but whether any Yes vote will get over the 40 per cent hurdle imposed by Parliament.

Industry can do its sums as well as anyone. On the evidence of previous elections a two-thirds poll would be considered good in Scotland; and if those voting Yes accounted for two-thirds of the poll (which would be a very good result: in the Common Market referendum such a result was commonly seen as a sweeping victory) then the assembly would get through by just 4 per cent.

Supposing only 59 per cent of those voting were in favour of devolution (such a figure would still be considered in most elections a very good result). On a two-thirds poll it would mean that Westminster might not accept devolution because it would only have been backed by 39 per cent of the electorate.

It is considerations such as these which worry industrialists now. And they fear that these uncertainties will continue right through until election day.

These are not the only worries. Industry is also concerned that any Scottish assembly would be dominated by the Labour Party. Some think the party could account for as many as three-quarters of the seats; others that a Labour majority will be a perpetual feature and even if industrial matters are not part of the assembly's initial remit because of the close links between an assembly and a Labour Government in Whitehall there will inevitably be a eventually a transfer of such powers to Edinburgh.

They believe that pressure from the Scottish National Party will keep up this momentum and therefore do not see an easy future for the Scottish economy. So it is easy to see why many of them prefer to take a chance on the pendulum bringing back a Conservative government at Westminster on the backs of the vote of the English shires rather than wait for the possibility of a Conservative-controlled Scottish assembly.

Attitudes

The mild flirtation that many businessmen appeared to have with the SNP a couple of years ago also appears to have petered out. As the SNP has slipped in the opinion polls so attitudes towards it from the boardroom have hardened.

This does not mean that business is any less keen on establishing a presence in Scotland. One of the features of the past half a dozen years has been the way in which the bigger industrial concerns and banks have opened representative offices in Scotland in order to keep themselves informed on the spot of developments in the economy. This group has been joined only recently by a Swiss bank and there is no sign that this source of interest will dry up.

The overwhelming consideration in opposition to an assembly remains that it would produce an extra layer of government and therefore impose extra costs, many if not most of which would have to be borne by industry.

The Government has admitted, in its White Paper on devolution, that more civil servants will be needed but antipathy goes further than this. It is feared there will be more regulations, more delays, more consultations, more intervention in business affairs. Whether these fears prove eventually to be groundless or well substantiated the plain fact is that they exist and they now colour all discussions that go in within organisations such as the CBI and the chambers of commerce.

Popular

Another tangible fear is that much of the progress Scotland has made over the past two or three decades will be dissipated as a result of the coming into being of an assembly.

Scotland has benefited enormously from the building-up of the Scottish Office and the enhanced role played within the cabinet by successive secretaries of state. Not without justification it is felt that Scotland has done extremely well from national policies, certainly rather better than the north of England, for instance. The Scottish Office is generally popular within business, even if there are some very vocal complaints, and with both the Scottish Economic Planning Department and the Scottish Industrial Advisory Board strongly represented in Glasgow the industrial sector of the economy feels that it has received a very fair share of government attention.

If there are still enormous problems to be overcome then these are a continuing reflection of the way in which the industrial base still reflects so much of a past that has disappeared. Scotland casts envious eyes at the way in which Wales has managed to attract the bulk of the inward flow of Japanese investment and would like to share a little of that gravy. The decision of Hitachi to go to the North East of England before it was forced to withdraw altogether was a serious disappointment.

In compensation, Scotland has managed to attract more American investment than any comparable part of assisted Britain. These newcomers have been, in the main, high-technology oriented and have contributed substantially to the country's national income. The trouble is that it takes several newcomers to equal the closure of one old-fashioned 19th century-based industry and there are still more closures to come in the latter group.

The Scottish Council (Development and Industry) and the Scottish Development Agency are only too well aware of this and are making great efforts along with others to sell Scotland as a base for new American enterprise. There are good grounds for believing that part of the development of the micro-chip industry will go to Scotland. But attracting new industry is a never-ending business and will continue to play a major part in the lives of a lot of people.

There is one rider to be added to the general Cassandra-like attitude towards devolution and this rider might be important in softening the opposition of some people before polling day. It is the realisation that Scotland is being offered something by Westminster and that no offer as substantial as devolution ought to be turned down out of hand without considerable thought being given to it.

It is too soon to say whether this might influence more than a handful of votes. But it might.

Anthony Moreton

Exporting successes

THE CLAIM that Scotland consistently outperforms the rest of the UK in manufactured exports has recently been confirmed in a survey carried out by the Scottish Council (Development and Industry).

The council has been regularly monitoring Scottish exports since the 1960s. Its latest up-date, published last month, indicates that Scottish exports rose 24 per cent in volume between 1974-77 compared with an only 14 per cent increase in the UK as a whole.

As for its share of UK manufactured exports, Scotland, with a population of 9.3 per cent of the UK, had the following percentage over the same period:

1974	10.4
1975	11.2
1976	12.3
1977	11.5

In money terms, the council estimates an increase in the value of Scottish exports from £1.664m in 1974 to £3.568m last year, a rise of 114 per cent in four years. It adds the proviso that possible sampling errors might suggest a range in increases of between 102 and 121 per cent. Nevertheless, says the report, this should not invalidate the general observation that Scottish manufactured exports grew more and that Scottish production is more export-orientated than the UK as a whole.

Reviewing the performance of individual industries, the report points to engineering—mechanical, instrument, electrical—as one registering the most impressive increase: 167 per cent in four years, or about 50 per cent above the overall average. In percentage of output exported whisky and other drinks (75 per cent) still head the table: but last year this group represented only 14 per cent of total Scottish exports compared with over 25 per cent four years before.

Another striking change taking place over the period had been in the destinations of Scottish exports. Previous surveys had shown that, with its large whisky exports, Scotland had been less EEC-orientated than the UK as a whole.

Figures

However, last year the EEC took as much as 38.2 per cent of Scottish exports (compared with only 30.1 per cent in 1974), with 13.6 per cent going to the U.S. (16.7 per cent in 1974) and 17 per cent to the Sterling Area (20.5 per cent in 1974). Excluding whisky, the proportion of exports going to the EEC was 41.4 per cent last year, with the U.S. taking only 10.3 per cent (about the same as EFTA) and the Sterling Area 18.4 per cent.

The export performance of Scottish industry has a great deal to do with its structure and ownership. The bulk of whisky produced in Scotland (comprising virtually all whisky produced in the UK) *is being* traditionally consumed abroad which automatically lifts the export figures. As indicated

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Financial sector

THE MOST conspicuous change in the Scottish banking scene this decade is the extent to which it has "gone international." The influx of branches and representative offices by foreign banks has been paralleled by major increases in the foreign business of domestic banks and the rising number of branches and representative offices being established overseas.

This expansion in the domestic banks' foreign business (partly fuelled by the investment and service requirements of North Sea oil and gas developments) has done a good deal more than boost their assets. It has helped them, as has the North Sea spin-off, to weather practically unscathed the collapse of the property market and the subsequent economic stagnation. (Two exceptions were Edward Bates, baled out by the Bank of England and the British Bank of Commerce, taken over by Grindlays.) It has helped to counter growing competition from English and foreign banks. More recently, it has been instrumental in partially propping up profits squeezed by the "corset," the narrowing interest margins, one or two bad debts and rising costs.

Underlining it all was the Bank of Scotland's half-yearly report for the period ending August 31, 1978, which—uncharacteristically for recent years—showed a slight drop in pre-tax profits. Had it not been for its highly profitable subsidiaries, the finance company North-West Securities and the merchant bank British Linen (which contributed around 40 per cent of the bank's pre-tax profits in the year 1977-78) as well as the growth of its international business, the Bank of Scotland report would have presented a sorry picture indeed.

The same applies to a lesser extent to the Royal Bank, whose 40 per cent share in the finance company Lloyds and Scottish contributed around 18 per cent of the latest 1976-77, pre-tax profits and whose foreign currency advances and deposits rose by 41 per cent and 36 per cent respectively in that year. In the case of the Bank of Scotland, foreign business now amounts to almost a quarter of the total and, according to Greenwell's circular in July, 1978, only 42 per cent of the group profit originates from domestic banking.

In terms of profits growth the Clydesdale Bank, a wholly owned subsidiary of Midland, out-performed its two larger Scottish rivals with a 30 per cent rise in 1977 pre-tax profits. It should be noted, however, that with their financial year covering different periods, comparisons should be treated with caution. On the other hand, Clydesdale, with its relatively smaller foreign currency portfolio owing to the Midland link, has less of a buffer in hard times.

Deposits

The latest (August 1978) return by the Committee of Scottish Clearing Bankers indicates that the three Scottish clearers combined had total foreign currency deposits of £851m (out of total deposits of £4.33bn), £152.5m up on August 1977 and no less than 40 times the 1971 figure. Overseas residents provided £317.8m, or 37 per cent of total currency deposits.

Currency market loans and advances, at £867.7m, were up by about the same amount on the previous August. Overseas residents' currency advances took up £249.1m of the currency total of £554.1m, or over 18 per cent of total advances. Currency loans and advances have grown over 30 times since 1971.

The rapid expansion of foreign business is partly due to the clearers' increasing participation in syndicated (mainly Eurocurrency) transactions, much of which used to be (but is no longer) North Sea-orientated. At present, for instance, only about a quarter of the Bank of Scotland's currency loans are oil-related.

Another aspect of the "internationalisation" of Scottish banks is the establishment of overseas branches. Both the Royal Bank and the Bank of Scotland are now represented in Hong Kong, with an eye to the promising Far East business, including China. The Royal Bank intends to upgrade its office to full branch status next year.

All three clearers as well as the James Finlay Corporation, a Glasgow merchant bank of recent vintage, are represented in the "oil capital" of Houston. The Royal Bank and the Bank of Scotland have offices in New York, while the Royal Bank plans to upgrade its San Francisco office to an agency early next year.

The invasion of Scotland by English and foreign banks, a significant feature of this decade, has abated somewhat but not the competition for what appears to be limited business. (The latter has caused leading Scottish bankers, including Mr. Andrew Russell of the Bank of Scotland and Mr. Alexander Macmillan of Clydesdale, to wonder if Scotland has too many banks for all of them to operate profitably.) So Scottish merchant banks and finance houses have increasingly been looking elsewhere, mainly to the south, for additional business.

Noble Grossart's investment subsidiary, for instance, has joined with the Charterhouse group to invest £700,000 in Gulliver Foods, a new venture by the former chief executive of Fine Fare. British Linen, the recently re-formed Bank of Scotland finance company, is also looking south for participations by its investment subsidiary, Melville Street Investments, which has just trebled its share capital to £3.3m. The James Finlay Corporation has re-launched four unit trusts its parent, James Finlay and Co., had bought from Charterhouse Japhet and is planning three further unit trusts as "a shop window" to its banking activities.

James Finlay also made news earlier this year by arranging (with British Linen) the sale of the North Sea service company Seaforth Maritime to the parent company and the constructors Taylor Woodrow in an £8m deal. These moves may help to retrieve the bank's 1977 loss of £328,000 (pre-tax), its first since it started up in 1974.

Overbanking or not, most of the English and foreign banks operating in Scotland claim that their operations are worthwhile. The Big Four London clearers, now firmly established, as well as the large London-based merchant banks point to the obvious advantages in the size and scope of international networks and expertise as giving them an edge over Scottish competitors. For example, Hill Samuel claims a deposit lending and acceptance base in Scotland which certainly compares with those of the domestic merchant banks Singer and Friedlander's Glasgow-based Clyde Petroleum trust largely finances its North Sea exploration activities out of income from Anglo-Ecuadorian Oilfields which it acquired in February, 1976.

Interest

While the influx of English and foreign banks into Scotland has now slowed down, interest in the country has not. The takeover within the past year of two of Scotland's leading investment trusts, the British Investment Trust and Edinburgh and Dundee, by the National Coal Board and British Rail pension funds respectively—both bids hotly but unsuccessfully contested—delivered, in the words of Mr. G. A. Stout, deputy chairman for Scotland of the Association of Investment Trust Companies, an "immediate blow to morale." Mr. Stout went on to say that "the potential erosion and even dissolution of experienced financial teams which further bids would cause are not developments which should be lightly dismissed."

Pension funds are of course the largest single group of equity holders in the UK, with combined funds bigger than the Government's total annual income from all sources. They are formidable but not always adventurous suitors—a fact often cited as one of the main reasons for the alleged shortage of risk capital, particularly for smaller companies. It is this breach into which the Scottish Development Agency (26 investments so far totalling £18m) and in its own area the Highlands and Islands Development Board are meant to step, often in partnership with the banks. One suspects that if there is a dearth of invention and innovation north of the Border, today, the cause may not be lack of risk capital—it could well lie elsewhere.

Andrew Hargrave

Exporting

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earlier, however, other manufacturers, especially the engineering industries, have come to the fore in recent years. This, in turn, reflects the nature of the companies that have played a major role in the diversification of Scottish industry since World War Two.

The ownership of Scottish manufacturing industry is also being monitored by the Scottish Council. It has a substantial U.S. ingredient which now employs around 100,000 people. The labour force has not changed much since 1973, the year of the first published analysis—40 per cent Scottish, 40 per cent rest of UK and 20 per cent foreign (including nearly 16 per cent U.S.)—but their surveys by the council have pinpointed the much higher export content within the output of non-Scottish companies.

Output

For example, the Scottish Input-Output tables referring to the 1973 list electrical machinery, computers and electronics, construction equipment, shipbuilding, industrial engines and spinning and weaving as those exporting the largest proportion of their output—after whisky, of course. The export shares in these industries range from 59 per cent to 40.9 per cent. In value terms, computers and electronics, with 8.9 per cent of all Scottish exports (second only to whisky) and with 55.4 per cent of their total output exported stand out as high-value low-volume products ideal for export.

It is a sector dominated by the U.S. majors such as IBM, Burroughs, Honeywell, NCR, Hewlett-Packard and, more recently also General Instruments, National Semiconductors and Digital Equipment. Yet another survey by the council, also published in 1973, had indicated that U.S. manufacturers in Scotland exported 43 per cent of their output and their exports comprised 31 per cent of the Scottish total, or about double the Scottish average per employee.

Companies with head offices elsewhere in the UK have also done better than average as the high export ratios from electrical machinery and office equipment (which they share with the U.S.) and construction equipment industries indicate. The industrial engines sector reflects the export successes of companies like John Brown Engineering, a member of the John Brown Group (which recently captured a sizeable Russian contract) but also Scottish-based ones like the Weir group.

The survival of the shipbuilding industry has always depended—and still depends—on selling its products abroad. It had been, until nationalisation, a largely Scottish-based industry although even there the arrival of Marathon has injected a U.S. flavour. A further updating of export surveys would no doubt show a continuing high export content, thanks to the Polish order for bulk carriers, the major part of which is being built in Scotland, in the main by Govan Shipbuilders, in Glasgow.

Textiles are traditional export earners: but here, too, more than one-third of the total labour force is now employed by rest-of-UK and U.S. companies. Finally, chemicals and pharmaceuticals, a little lower on the list, but still significant export earners, are dominated by major UK companies, such as ICI and Beechams, though it is worth noting that Roche Products, the Swiss concern which recently announced a major expansion programme in Ayrshire, exports about 90 per cent of its output.

One finding of the exports survey which presents an obvious problem to Scottish ports is the declining proportion of trade handled by them.

Not so long ago well over half of all Scottish shipments by sea used Scottish ports. It was still approaching half the total last year, but only if oil, a steeply rising item in view of the North Sea developments, were included. Without oil, the proportion of trade handled by Scottish ports was less than one-third of the total: indeed in 1976, the proportion was only between 28 and 29 per cent.

On the other hand, the bulk of air freights are handled by Scottish airports, their share of all air freights being in excess of 85 per cent last year.

Andrew Hargrave

More offshore interest

DESPITE THE reluctance of one or two of the world's largest oil companies to bid for more than limited concessions in the Sixth Round of UK offshore licensing, the Government has expressed itself well satisfied with the general response.

A new exploration area will be opened up to the north-west of the Shetland Islands and it appears that it is this acreage, along with the well-proven oil province of the central North Sea, that have been chiefly responsible for holding the oil companies' interest.

Another exploration province will also be opened up by the Sixth Round in the South Western Approaches with blocks on offer up to 200 miles to the south-west of Cornwall. The Department of Energy has received applications for all 15 blocks in this area, but it will need the encouragement of the first discovery of hydrocarbons in the region before the oil industry would be ready to move the main focus of its exploration interests away from Scottish waters. In the concessions to the north-west of the Shetland Islands companies will be drilling in some of the deepest water yet tackled on the UK Continental Shelf.

The problems these depths would present to the eventual development of any finds, will mean that discoveries will have to be of a substantial size to prove commercial.

This is the difficulty presently confronting British Petroleum and its partners on block 206/8 to the west of the Shetlands. BP is presently drilling its second appraisal well on a structure which could have large hydrocarbon reserves in place, but which appears to be shallow and spread over a wide area. The first well on the block, drilled last year, flowed 2,920 barrels of oil a day through two test intervals. The second well prematurely raised high hopes that a major find had been made in a new oil province, but the euphoria was deflated, when the results were made known.

BP said the well had found oil, but not in commercial quantities. The well, 206/8-2, certainly confirmed the existence of a broad deposit of hydrocarbons in the area, but it raised doubts about whether oil or gas would be discovered in commercial quantities.

Tests on the well also showed the existence of a small gas accumulation at the top of the reservoir. The oil was produced from four tests at deeper intervals, but the crude was heavier than most of the finds in the North Sea with a gravity of 22 to 25 API. Nonetheless the find appears to have provided the necessary stimulus to attract oil companies to the 13 blocks on offer to the north of 206/8. More than 25 wells have been drilled in the area since Esso sunk the first well in 1972, but the real interest has only been aroused following work carried out by Elf, Esso and BP last year.

Promising

Two of the leading North Sea operators, Shell and Conoco, have tightly limited their applications for new acreage in the Sixth Round because of dissatisfaction with the Government's tougher policy towards offshore oil development. But both companies have still been persuaded to make applications for concessions in this promising area to the north-west of the Shetland Islands, despite their misgivings.

The rate of exploration work has fallen sharply this year with less than 40 wildcat wells drilled in 1978 compared with 58 last year, 51 in 1976 and 75 in the peak year of 1975. The oil companies have warned in a recent report that the level of offshore exploration work will have to be increased substantially over the next 10 years if the UK is to maintain near self-sufficiency in crude oil production in the late 1980s and through the 1990s.

But these disagreements between the Government and the oil industry over tax changes and the tougher licensing conditions have tended to overshadow the massive development effort that has been mounted this year off the coast of Scotland to bring a number of new fields into production.

Much of the work that has been carried on has become almost routine; the lifting of heavy units of complex equipment on to the massive concrete and steel platforms, the hook-up of these modules and the laying and connecting of smaller pipelines in fields along with maintenance and inspection tasks and emergency repairs. But the weather has been difficult for much of the summer and several storms have interrupted the big lifts and some of the pipeline work.

A lot of attention has centred on the £800m oil terminal that is under construction at Sullom Voe in the Shetland Islands, which is destined to become the largest crude oil terminal of its kind in Europe handling more than half of the UK's total crude requirements in the early 1980s. Construction of this terminal is badly behind schedule, but a crash programme of work during the summer has made sure that the terminal is now ready to accept its first crude from the Heather and Dunlin Fields.

By the end of this week oil should be arriving along both the pipelines to Sullom Voe connecting into the system both the Brent area and Ninian area fields.

During the summer work on Union Oil's Heather Field has progressed smoothly allowing the field to begin production recently with oil flowing via the Ninian Central platform into the Ninian pipeline. Two production wells have been completed, a damaged jacket leg has been repaired and the modules have been hooked-up this year. The Heather Field was ready to pump oil along a 16-in pipeline to the Ninian Central platform, before Chevron, the Ninian operator, could handle it. A two-week strike meant that work slipped back a little on the Ninian Field, but the Heather oil is now flowing. Chevron is still confident that despite the delays oil will also be flowing from the Ninian Field itself by the end of the year.

Chevron has faced a series of complex tasks this year including the float-out in the early summer from the West coast of Scotland of the massive concrete Central platform, which was described at the time as the largest and heaviest object ever moved by man. This operation was accompanied by the float-out of the much smaller steel jacket for the Northern platform. The first oil from this field will be produced from the steel Southern platform, which was floated out in 1977. Peak production is expected to reach 360,000 b/d in 1981-82.

Shell and Esso, working in partnership in the North Sea are already developing five fields—with another, North Cormorant, on the cards. They had had their busiest year to date.

The work has been crowned this month with the first flow of oil along the Brent System pipeline to Sullom Voe from the Dunlin Field. The operation was delayed at the very last by the discovery of a rupture in the pipeline in 420 feet of water some 47 miles out from Shetland. But the pipeline was repaired in the surprisingly quick time of 28 days, an achievement that has almost been taken for granted amid the accepted hectic pace of North Sea development. The repair involved the cutting out and replacing of a 120 feet section of 36 inch pipeline in 429 feet of water. A recently developed technique of underwater "dry welding" was used, the operation being serviced from the semi-submersible diving support vessel, Uncle John.

During the year Shell/Esso have installed two key platforms, the biggest Brent Field platform, Brent C, and Cormorant A, which will act as the main pumping and booster station for the Brent System pipeline. The work of tying in the inter-connecting pipelines is now completed. Commissioning and hook-up work is being carried out simultaneously on all six platforms in the Brent area. To support the workforce necessary for such an effort as many as five semi-submersible vessels have been used for accommodation at the fields. The activity, which has included the completion of the 280-mile gas pipeline from the Brent Field to St. Fergus in Aberdeenshire, has needed a construction workforce of 4,000 offshore. The two companies expect joint capital expenditure in the North Sea in this year alone to total about £800m.

Production has also been started in recent months from the northerly Thistle Field, which is operated by the British National Oil Corporation.

With 11 oilfields already on stream producing over 1.1m barrels of crude a day the UK is meeting more than half its own requirements from domestic oil production. But many more months of hectic activity lie ahead before these fields are brought to peak output, and the other commercial discoveries in Scotland's offshore waters are brought into first production.

Kevin Done

Chemical projects

THE SCOTTISH chemical scene has been dominated this year by the Hoffmann-La Roche £140m vitamin C plant project in Ayrshire and by the continuing saga of Shell/Esso's proposed petrochemical complex at Mossmorran in Fife.

The two developments represent a hefty investment on the part of widely different sectors of the chemical industry and this ought to be a source of some satisfaction for Scotland. Yet both projects have come in for some heavy criticism—albeit from quite separate groups of opponents.

Roche's planned plant at Dalry in Ayrshire is expected to turn the UK from an importer to a net exporter of vitamin C. About 90 per cent of the new plant's production is to be exported and it is estimated that this should help Britain's balance of payments to the tune of some £38m a year. Roche is already producing vitamins at the Dalry site but the new plant will add an extra 430 jobs to the existing complement and this in an area where unemployment is already high and where it is expected to become worse when the British Steel Corporation closes its plant in the Garnock valley at the end of this year.

The Roche project would seem to offer advantages to Scotland on almost every front but this has not saved it from coming under attack. What has roused anger in certain quarters is not the development itself but the role allotted to the British taxpayer in financing it. One way and another taxpayers will be meeting nearly half the £140m cost of the new plant and this works out at about £100,000 for each new job brought to the area—a statistic that Government critics have been quick to advertise.

Government Ministers have billed the winning of the Roche investment as a triumph but there are arguments for saying that the price was on the high side. Yet it should be remembered that Hoffmann-La Roche, which is based in Switzerland, is not only one of the largest and most successful pharmaceutical groups in the world but also the drug company that all of Europe loves to hate.

On the other hand, the very fact that the Government may have erred on the side of generosity in the Roche case could help to attract further investment in Scotland from abroad which would be no bad thing.

Not that the country has to rely solely on foreign investment in the pharmaceuticals field. Earlier this month the UK-based Beecham group announced that it would be increasing its planned investment in British pharmaceuticals and Scotland will benefit from this. The company said in March that it would be spending a total of £41m on the building of a new chemical plant at Irvine in Scotland and on the modernisation of pharmaceutical factories in Sussex.

Welcome

Local communities usually welcome pharmaceutical developments like those being undertaken by Beecham and Roche but the reaction to petrochemical projects tends to be altogether different. Shell/Esso have discovered this while waiting for the final go-ahead to start building a planned natural gas liquids separation plant and petrochemicals plant at Mossmorran plus a marine terminal at nearby Braefoot Bay.

It is now well over a year since the first planning inquiry was held on the Mossmorran project. The proposal is that gas from the Brent field should go to Shell's terminal at St. Fergus in the North where the natural gas stream—methane—will be taken out while the remaining gas liquids will be piped south to Mossmorran.

Shell received provisional planning permission for its natural gas liquids plant way back in March and originally it had hoped to start construction work in the late spring of this year.

The conditional nature of the planning permission was the result of effective lobbying by local residents who want to halt the Mossmorran project. They failed to win their case at the planning inquiry held in July 1977 but though they had lost the battle they were determined that this particular war was not to be ended so easily. The radio transmitters could present a hazard when in the vicinity of a chemicals or gas plant and as it happens Radio Forth opeartes a transmitter near Mossmorran.

Final planning permission for Mossmorran and Braefoot Bay has still not been granted and the Brent gas project—costing an estimated £3bn in total—remains in an unhappy limbo.

ICI and BP Chemicals are currently building a joint 500,000 tonnes a year ethylene plant at the Wilton complex on Teesside and this is to be joined by pipeline to the chemicals site at Grangemouth on the Firth of Forth. The Grangemouth site, which was established as long ago as 1951, is one of the largest in Europe. It is next to a British Petroleum oil refinery and BP Chemicals' basic petrochemicals plants on the site draw on this for feedstock. BP Chemicals is still investing in Grangemouth and so extending its range of products from there—a new polyethylene plant and a new benzene plant will both be completed by the end of this year.

There are a number of factors which could deter outside chemical companies from setting up shop in Scotland—notably the appalling record of the entire UK construction industry when it comes to completion dates for large plants.

In the meantime, as long as major chemical concerns—be they British like ICI and BP Chemicals or foreign based like Hoffmann-La Roche—continue to show themselves willing to put money into the industry in Scotland, the investment picture for the future cannot be too bleak.

Sue Cameron

Expansion in the electronics sector

THE ELECTRONCS industry in Scotland is showing signs, after a period of retrenchment, of being ready for another period of growth.

Scotland has not so far benefited from the Government's multi-million pound commitment to the electronics industry—apart from consultancy fees for Mackintosh Consultants, of Cumbernauld, who have prepared data for the NEB on the proposed INMOS company. Two major companies have, however, announced the building of major plants in Scotland and a third is opening one of the most advanced integrated circuit manufacturing complexes in the world.

More important perhaps for the future of the industry in Scotland is the designation of Edinburgh University as one of the two UK centres for advanced microelectronics by the Science Research Council and with the aid of a £316,000 grant will set up a new silicon chip processing facility.

Decision

Completely separate from the NEB and Central Government efforts in micro-electronics, the Scottish Development Agency has commissioned an in depth study of the industry and the potential for Scotland from Booz Allen and when the report is ready in the New Year, the SDA is ready to back new projects with its own cash.

To top it all off, of course, would be a decision by Texas Instruments to site their new European facility in Scotland with the promise of more than 2,000 jobs—with a spin off for the dozens of small components firms in Scotland's "electronics belt"—but no decision has been made.

It is believed that the giant American firm is impressed with a number of Scottish sites. And the Edinburgh University decision has added a further dimension which is as important as any cash incentive—the supply of skilled labour in a world where micro-electronics engineers are becoming worth their weight in (if not gold) certainly silicon chips.

The New Town of Livingston, which was almost the only sizeable town in the East of Scotland without a significant electronics manufacturer, has reversed its position in less than a month with the decision of Burroughs to set up a research, development and production centre for advanced banking equipment and of plans by the MFE Corporation of New Hampshire to build its first European facility (complete with a R and D unit) on the New Town's research park.

Burroughs have pioneered its banking equipment systems in Scotland at the Cumbernauld plant and it is this section which will be transferred to the new facility of 100,000 sq ft in Livingston, while the Cumbernauld plant will be expanded by a further 100,000 sq ft for expansion of printer products, manufacturing and engineering.

MFE Corporation are building a 36,000 sq ft plant to manufacture "floppy disc" cassette drives and will set up a research unit to look for new product lines probably in the medical field where the group already manufactures strip chart recorders.

Livingston is highly delighted particularly since the R and D content from both firms fully justifies the decision to retain the site for advanced industry—even through a period when their stock of industrial land was becoming perilously thin.

The two plants will employ around 500 people when building is completed in about three years, and both firms have retained a large area of the site for expansion.

Proximity

MFE particularly chose the site because of proximity to Edinburgh's two universities to utilise both the supply of graduates and research facilities.

These two projects are the latest in a series of expansion projects in the industry in the last few months which have been announced or are coming to fruition. It is difficult to find a Scottish plant in the industry without a project underway or in the offing.

Significant

It is significant that in many cases the growth is being fuelled by development work on site, not just in Scottish-based firms, but in the American-owned companies as well. In Scotland most of the big American electronics companies now have a presence and they range from IBM, Honeywell, NCR and Burroughs to Hewlett Packard, Digital Equipment, General Instrument Micro-electronics and Motorola, which is just opening a new IC manufacturing facility in East Kilbride.

One firm which might not have such an enthusiastic view of the labour supply problem is Ferranti which is itself well into a major expansion of the mainly defence based business in Edinburgh. Locked into Government wage guidelines through NEB ownership, Ferranti has been losing staff to the newcomers and growth is being slightly inhibited.

The firm ruefully admit that the problem is largely of its own making. It was the efforts of Sir John Toothill, the general manager in the 1950s and 1960s that helped to interest Scots in the industry which, in turn, did more than anything else to attract the firms which today have made Scotland a major centre of the industry in Europe.

The growing concentration of companies using electronics has had the effect that Sir John Toothill predicted—although perhaps not as quickly as had been hoped. Dozens of small component firms have emerged mainly in the Edinburgh area, but not exclusively.

Edinburgh University established micro-electronics as a separate discipline in the late 1960s. From the beginning, the university insisted on building bridges with industry; with aid from the Wolfson Foundation, a micro-electronics unit was set up complete with facilities for manufacturing silicon chips giving students and research workers access to a more commercial environment than is normally possible in universities.

The designation of Edinburgh by the Science Research Council and the grant to update the production facilities is a recognition of the success of the experiment. The other British university designated is Southampton.

With its new designation, the university will now add a new course in micro-electronics manufacturing technology for fourth year honours graduates.

Even before the designation, companies in Scotland were already showing their confidence with hard cash. And for the short and medium term prospects (nobody goes beyond that in the fast moving electronics industry), Scotland's continuing position as a major electronics centre seems assured.

John Drummond

New platform orders

AS REVIVALS go, the present one being enjoyed by the platform industry is fairly small, although no less welcome for that. Whereas in 1976 there were no orders placed at all and each of the seven yards had either no work or was fast running out of work, now three of them are working and there is a prospect that another may be awarded a contract soon.

During its brief life, the industry has acquired a sensational character. The sheer size of the orders involved—up to £100m—and the dramatic rise and fall in the fortunes of the companies involved have helped to focus public attention on platform building as an indicator of North Sea activity in general and this has some justification. Not only are the yards large employers of labour, important in their localities, but the award of a platform contract is merely the tip of the iceberg and means a whole series of lesser contracts and sub-contracts for components and services.

Thus the peak period for the platform industry—there were 27 orders placed between 1972 and 1975 and ten went to Scotland—was also a boom time for the Scottish economy in general and there is no doubt that the oil industry played a major part in the resurgence of activity. There were other factors, of couse, but the long tentacles of oil-related work reached deep into the economy.

The fallow time for the platform yards, was also slack for the wider economy. So it is good news for Scottish industry that a new, albeit smaller, boom in the construction of offshore structures is on the way.

Predicting the demand for platforms is notoriously difficult. It entails making a judgment about the commercial potential of oil finds, when the operating companies themselves may not be sure just how valuable their prospects are, and assessing such imponderables as whether a particular geographical location would be better served by a steel or concrete structure or by some more exotic contraption.

A recent official estimate (contained in the report "The Economic Impact of North Sea Oil on Scotland" prepared for the Scottish Economic Planning Department by Professors Maxwell Gaskin and Donald MacKay) was that there could be between 18 and 24 orders to come between 1977 and 1986. The authors were careful to qualify their figures in view of the past inaccuracies in official platform forecasting (and in fact the report is already over-optimistic in the number of orders it expected to have been placed last year and this), but they concluded that the next three years could see up to half-a-dozen contracts being awarded each year.

If this turns out to be true it means short term prosperity for at least those yards specialising in steel structures and a breathing space in which to try to bid for work outside the UK Continental Shelf.

Specialists

Of the Scottish yards, the three which have specialised so far in steel platforms, have done best. Highland Fabricators, the Anglo-American partnership between Brown and Root and Wimpey which has a yard at Nigg on the Cromarty Firth, was awarded last year the order for a third platform for the Ninian Field and has this year followed it up with a contract from Shell-Esso for the Fulmar Field.

Hi-Fab's 170 acre yard, which employs 1,500 local people, has already built five platforms for the UK sector of the North Sea, including the Ninian Northern platform. The Fulmar structure is one of its largest jobs. It will be built on skids alongside the graving dock where the Ninian Southern platform is under construction, will weigh 12,300 tonnes, have eight legs and stand in a water depth of 82 metres. It is due for completion early in 1980.

J. Ray MacDermott's yard at Ardersier, near Inverness, also ranks as one of the most successful of the Scottish yards, and is presently building a large production platform for the Murchison Field and a smaller structure for Brazil, due for delivery shortly. The yard, like its competitor at Nigg, has been prominent in bidding for overseas work.

But the surprise performance of the year has been produced by the former RDL yard at Methil, Fife. Two years ago a lack of work forced the company to put the facility into mothballs and pay off most of the staff. With a reputation for poor delivery hanging over its head, few commentators gave the yard much hope for the future.

But a combination of Government pressure and imaginative management initiative have transformed the yard's prospects. The hand of the Department of Energy and particularly of the Junior Minister, Dr. J. Dickson Mabon, seems to have been behind the award of a part share in the Texaco Tarten contract (being handled jointly with the French yard U.I.E. at Charbourg), which enabled Methil to reopen last year.

And, this spring, a merger with the Dutch De Groot group revitalised the yard's image. De Groot's good reputation for delivery and the Dutch management's confidence and close identification with the workforce were undoubtedly factors in the decision by Shell-Esso to award the yard the smaller of the two Fulmar contracts, and there has been other work.

It is a small beginning but RDL has plans for developing part of the Methil site kept within its exclusive control and the new joint venture company, Redpath De Groot Caledonian, has been active in bidding for a wide range of new work.

Another yard which had faced closure and now has work, is the Stornoway-based Lewis Offshore, owned by the Norwegian Fred Olsen group. The company is important to the island of Lewis, biggest of the outer Hebridean islands, because it provides scarce employment for engineering skills. This summer, after several months without work, the company was given a contract to convert a Drillmaster rig to serve as a production platform for the Buchan Field.

But a cloud of gloom overcasts the concrete constructors. The two Government sponsored yards at Portavadie and Hunterston, on which something like £20m has been spent, have never won work, and, despite optimistic statements by Dr. Mabon, it does not seem likely that either of them will see the building of a platform in the near future.

Ray Perman

Shipyards need work

SHIPBUILDING IS still a very major industry in Scotland, particularly on Clydeside. Even in the event of a close-down of merchant building yards, there would still be a significant industry with naval and offshore oil activities.

The yards themselves employ around 23,000 almost all of them under the British Shipbuilders' umbrella, but outside the yards there could be as many as twice that number in supporting industry.

Scottish yards, in total, now have a reasonable order book except for the Marathon oil rig yard, but unless an order breakthrough can be made before the end of the year redundancies are inevitable in the spring.

For the industry in Scotland, the controversial £120m Polish order was a "life-saver." All but two of British Shipbuilders' yards shared in the order with the bulk of the contract going to Govan Shipbuilders and its subsidiary, Scotstoun Marine, where it is now the only shipbuilding work on the books.

Gaps

The fact remains that once that order is completed early next year, big gaps are going to appear in work schedules and Scottish yards could be almost as vulnerable as their English counterparts.

Virtually the only factor which has kept back a feeling of gloom has been the winning of a £60m order for an emergency support vessel for British Petroleum by Scott-Lithgow and under that contract some of the fabrication work will be done upriver at Govan.

That contract ensures the future of 3,000 jobs at Scott-Lithgow for a year and gives continuity after the last of a series of 265,000-ton tankers has been built at the yard in Port Glasgow.

The Scott-Lithgow yards on the Lower Clyde are by far the biggest group in Scotland, with six yards, one of the largest dry-docks in the country, an engine works and a total of 8,000 employees—a drop of 2,000 from a high point two years ago.

Combined with another British Shipbuilders' member company, John G. Kincaid, which employs 1,400 and two smaller private companies—James Lamont, shiprepairers and steering gear makers, John Hastie—which employs a total of around 800, they provide the industrial lifeblood of the communities of Greenock and Port Glasgow.

The group is not totally dependent on merchant shipbuilding. Traditionally, the order mix has been one-third naval building and two-thirds merchant, but with the development of the offshore oil industry, Scott-Lithgow have heavily committed themselves to specialist ships for that industry and the present order mix in terms of jobs is one-third merchant ships and two-thirds naval and specialist vessels.

In the next few months even this proportion is likely to rise, unless there are new orders.

Because of the recession, Scott-Lithgow have decided to close down their ship repair operations, but will keep the 1,000 ft. long dry-dock, one of the largest in the UK, operational because the dry-dock facilities are essential for new building operations.

The closure will mean the loss of 268 jobs, although some of the employees will be offered jobs in the rest of the group. The dry-dock business has never been profitable, partly because there was only one dock and its use is restricted because of the needs of the yards.

The next most immediate problem area on the Lower Clyde is at the Scotts engine works, where orders are running out fast. Much of the works' production has been for merchant ships and obviously this is one of the most vulnerable areas in the group. The small yard at Bowling is also rapidly running out of work.

With prospects of an order for a seabed operations vessel for the Royal Navy and refitting work on conventional submarines plus the order for the emergency support vessel, the yard has a relatively healthy order book, but are under no illusions that getting merchant ship orders will be easy.

Up river at Yarrow's naval shipyard, order books are even more healthy with four type-22 frigates and a fifth in prospect, plus four support ships for the Iranian Navy which gives an order load which stretches two years ahead for the workforce of 5,500.

Yarrows are also building a new yard to construct glassfibre minesweepers for the Royal Navy and when this is complete next year could employ an additional 500.

Despite this almost rosy picture, there are worries at the yard. Their staple "diet" is frigates for the Royal Navy, but with the cost rising to something around £50m each, there are worries over how many the defence budget can stand.

There is also the problem that the type of frigate being built at the yard is probably too expensive for the export markets. Any country requiring a vessel as sophisticated as the Type 22 frigate will almost certainly have the shipbuilding capacity to build them.

While there is a market for less sophisticated patrol vessels, the lead in this type of ship has been taken by Vospers and Brooke Marine.

Govan Shipbuilders—formed out of the collapse of Upper Clyde Shipbuilders five years ago—is probably the most vulnerable yard in Scotland to the collapse of the merchant ship market. It has not built a naval ship since the 60s and its facilities are geared to the series production of standard ships.

Carriers

Its present order book is composed of nine and a half—a hull was built for Robb-Caledon—4,400-ton bulk carriers and four 16,500-ton bulk carriers plus some of the fabrication work for the BP emergency vessel.

It must be remembered, however, that the entire order is due to be completed next summer and to prevent a production gap similar to the one which hit the yard before it received the Polish ships earlier this year, an order has to be taken before the end of the year.

The £30m investment programme which has just been completed at the Govan yard gives it an enormous appetite and any orders have to be for a series to prevent cutbacks in the labour force.

Its subsidiary yard—Scotstoun Marine—on the opposite bank of the river, employs 1,100 of the groups' 5,500 workforce and has a share in the Polish contract, but is not nearly as modern as the Govan yard. If British Shipbuilders insist on a heavy redundancy programme as expected, this yard looks very vulnerable.

Although not strictly a shipyard, the Marathon yard at Clydebank—the former John Browns—is now working through its last order and redundancy notices have already been issued for the vast majority of the 600 strong workforce. Bids are in for a number of contracts, but their best prospect for an oil rig wanted for Indian waters, was lost last month.

On the Upper Clyde there is one success story which helps to dispel gloom. It is the Clyde Dock Engineering ship repair venture of Mr. "Rab" Butler, who is also head of the Tyne ship repairing group. The yard has just announced a healthy profit of £250,000 for last year and its 250 workers are the highest paid in the country.

It is a success story which should not have been possible. Mr. Butler bought the derelict yard in Govan 18 months ago after it had been closed for six months. Despite being on the wrong coast, 26 miles up a river where conventional shipping traffic has been falling steadily and with minimal capital, the yard has been constantly occupied.

The reason is a combination of good marketing, good management and a unique labour agreement which traded complete flexibility and guarantees on no strikes for high wages and no redundancy during the period of agreement.

A similar success, again in ship-repair has come to Independent Ship Repairers who took over the Leith yard of the same company Clyde Dock emerged from. A similar type of labour agreement was reached with the unions.

The Leith yard of Robb Caledon has a respectable order book of a ferry, two crane barges—again the Polish order—and two tugs. With the Dundee yard of the company, the group employs around 1,400 and both have a considerable reputation for building small specialist ships.

Both are old yards, however, and following the cancellation of a heavy investment programme in 1973 when the possibility of nationalisation was looming, there has been little investment.

Hall Russell, in Aberdeen, have a reasonable order book, but are not overly dependent on merchant ships to keep their 800 workforce employed. They have built the entire fleet of offshore oil patrol vessels for the Royal Navy and are working on a new design of fishery protection vessel for the Scottish Office. Both types of ship are being marketed strongly in export markets and it would be surprising if they do not meet with some success in this field soon.

In ancillary industries, there has been a very strong effort to diversify in recent years, particularly in the offshore oil market. And while shipbuilding is still a very important market, a further cutback would not automatically mean disaster for the sector.

Overall, while there must be worries for Scottish yards over the final version of the Corporate Plan being prepared by British Shipbuilders, there are some grounds for optimism and yards north of the border do not appear as vulnerable as those in the rest of the country.

Perhaps the biggest worry is over the reaction of Scottish workers to the plan. If there is strong militant action, it will destroy the new image the men in the industry have painfully built up over the last five years since UCS of being prepared to adopt new attitudes and working practices to ensure the future of their industry.

John Drummond

Fishing fears

SCOTLAND'S fishing industry is facing its own watershed at a time when Britain's hardest and most risky industry, for investor and operator alike, is currently in a highly unstable state.

The problems caused in the UK by the continuing EEC fishing policy saga grow worse and worse and the people affected are many and various. With the herring ban in force in the North Sea and West Coast the "unemployed" Scottish herring fleet is leading the way in reaping its share of the mackerel harvest off Cornwall. They have been labelled the "new pirates of Penzance."

With the added scarcity of white fish the Scottish deep sea trawler crews are hoping that mackerel at £90 a tonne will give them a living for the next few months. Skippers of successful boats can earn £30,000 a year and more.

Like the herring previously, there are now fears that the mackerel is in danger of being wiped out by the super-efficient Scots purse seiners. When a Scottish purser comes across a shoal he shoots out his net and is guaranteed a huge catch. With an eight-man crew a purser has no difficulty in netting the quota of three and a half tonnes of mackerel per man per day. The catch is frequently transferred to one of the Eastern bloc factory ships which sells the fish in Africa.

Mackerel is one of the few fish left in British waters which can be caught in considerable quantities by the purse seiners. It allows very few men to make enormous sums of money. Young Scots fishermen in the 19 to 20 age bracket are netting £20,000 a year, but this must be seen as a short term gain because there are definite signs of over fishing in the mackerel grounds, particularly by the Scottish boats equipped with their sophisticated echo sounders.

The total catch of mackerel in 1976 was double the recommended total given to EEC countries of 494,000 tonnes. The actual catch was 821,000 tonnes. In 1977 the recommended catch was 337,000 but the actual catch was 584,000 tonnes. Mr. Jim Lovie, chief executive of the Scottish Fishermen's Organisation, defends the large number of Scottish boats off Cornwall. "If we lose the mackerel stock it will not be because of the fishing industry but because the scientists and politicians get it wrong," he said.

Mr. Lovie went on: "With no herring fishing allowed, what can they do? If the British do not take up their full quota Mr. Silkin will be put in a difficult position when the quotas for 1979 are being fixed and that could mean a reduced quota."

Total Scottish landing of all fish species in September amounted to 74,000 tonnes. In the first nine months of this year landings totalled 326,000 tonnes of which approximately 4 per cent were herring, 6 per cent shellfish and the balance white fish.

Landings

The corresponding figures for the first nine months of 1977 were total landings of 318,000 tonnes, of which 9 per cent were herring, 7 per cent shellfish, and the rest white fish.

Catches of fish from Britain's own waters are being steadily reduced as Mr. John Silkin, Minister of Agriculture and Fisheries, imposes successive cuts on catch limits in an attempt to defend the nation's fish resources. Trawlers have to be laid up, fishermen and shore-based workers lose their jobs and fishmongers have to make up supplies with expensive imports and, finally, the housewife is forced to pay more for her share of Britain's dwindling fish supplies.

It is widely recognised throughout the Scottish fishing industry that the lucrative catches of mackerel off Cornwall do little or nothing for ports equipped for dealing with a sustained herring industry, with all its ancillaries, including kippering.

The port of Mallaig now faces a tough and difficult time. Earlier this year, before the herring ban came into operation, 5,476 tonnes were landed and prices were so high that they fetched £1,964,000. Nobody knows when a restart will be possible. The herring closure coincides with an ever-increasing lack of white fish and a haddock quota to add to the problems.

Mr. Gordon Jackson, secretary of the Mallaig and North-West Fishermen's Association predicts a hard year ahead. He said: "If we do not get a good sprat fishing season followed by a reasonable prawn catch between next April and August we will be in trouble. He hoped that by the winter of 1979 the herring position might have improved sufficiently to allow a small "survival" quota to be fished.

There are now signs of large shoals of two-year-old herrings in the North Minch and lochs. If they were left undisturbed for another year the stock might have recovered to allow a limited restart. Through white fish and shell fish contributions Mallaig will top the £8,000,000 mark again this year. At Oban, up till the end of September, the white fish catch was down by almost 14,000 cwt compared with 1977 but higher prices for shell fish have wiped out the deficit. White fish contributed £1,100,000 to keep the Hebridean fleet ticking over. When the herring do return the Isle of Lewis should be well placed for long-term prosperity once the new Breasclete fish drying factory comes into full operation.

The Government has already had repeated warning that unless special help is forthcoming the herring processing industry will go under before the Scottish West Coast herring ban is lifted. Mr. Walter Dyson, secretary of the Herring Buyers' Association, said there would be some very heavy unemployment in areas that could ill afford it unless Government help was forthcoming.

Fishing prospects in Orkney are relatively bright following a prolific summer crab season. Up till the end of September 17,820 cwt had been landed, mainly crab, worth £429,880. The comparative figure for last year was 16,220 cwt for £339,370. There is always an assured market for Orkney's high quality crab meat, processed and frozen at Stromness and Westray, before shipment to England and the Continent, with France a particularly good customer.

After the upheaval created by the building of the Occidental oil terminal at Flotta the labour situation is now stabilising and a reasonable living is forecast for those who decided to stick to the traditional way of life. Orkney Islands Council has set up a working party to consider harbour improvements.

It is, however, Shetland which seems to have suffered most during the past year because of the failure to control over-fishing. Once surrounded by the finest fishing grounds in the world, Shetland fishing now has to rely all too often on sand eels, Norway pout and sprats for conversion into fish meal.

Shetland fishermen have protested for years about the devastation foreign trawlers were causing in their grounds but all to no avail. The fishermen, in their demands for at least a 50-mile limit around their shores, are fighting for survival. The Shetland Fishermen's Association have the full backing of the Shetland Islands' Council and a new pressure group—the Shetland Movement. They want a complete ban on

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مكتبة الأصل

The land question

THE PROVISION in the Queen's Speech for a Bill to establish a simplified land register for Scotland is indicative of the fact that the land question continues to be prominent in Scottish politics. In fact, the new register will not make much immediate impact on the amount of available information, since existing owners will not be required to make declarations.

In spite of the efforts of the National Union of Agricultural and Allied Workers (which scarcely exists in Scotland) and a few individuals within the Labour Party, the land issue has not captured the public imagination in England and Wales. This is in spite of the fact that a few hundred acres of prime agricultural land in the Home Counties would probably have greater cash value than a few hundred thousand acres of Highland wilderness.

Several factors conspire, however, to make land an emotive subject in the Scottish context. The folk-memory of the Highland Clearances is still strong. The continued presence of caricature lairds presiding over their vast private kingdoms, with little regard for the social good, sustains the sense of injustice. Coupled with this is the widespread belief that there is a level of irresponsibility in terms of land use which has few equals in the western world.

Further ingredients have recently been added to this recipe for resentment and discontent. They have come mainly in the form of foreign and institutional buying of land—by no means all of it in the Highlands—which, as elsewhere in the UK, has had the effect of forcing prices up and making it increasingly difficult for young and energetic farmers to obtain or lease land at reasonable cost.

It is estimated that over 500,000 acres of Scottish land are now owned by the institutions, and a further 300,000 acres by foreigners. The Dutch have been the most active, with the Arabs a fairly close second.

The Northfield Committee was established with the specific brief of looking at the problems created by these two sets of influences. This may seem like an unnecessarily limited remit. Most of the problems associated with land ownership in Scotland cannot be laid at the doors of foreigners or institutions but of indigenous landowners who still retain control over the vast majority of Scotland's acres.

The Scottish National Party has, predictably, seized upon the foreign buying of land as a major issue. Though they eschew land nationalisation their land policy is by far the most radical plank in their platform. A land commission, they envisage, would take over all holdings over the vaguely defined "family-size" farm, and this surplus of land would then be resold to tenants or other would-be buyers. The Scottish Landowners' Federation has greeted this proposal with horror.

If a Scottish Assembly is established as a result of the forthcoming referendum, some powers relating to land will fall within its ambit—Schedule 10 of the Scotland Bill, listing devolved subjects, includes "Tenure and Management of Agricultural Land." But even if a radical Assembly was to be elected, the likelihood of much happening under this heading is remote since the matter of compensation would still reside with Westminster.

Indeed, the land question—given its high priority in Scottish political life and its low rating in the legislative priorities of Westminster governments—could provide an early point of conflict in the relationship between the two bodies, if the Assembly plan is actually approved in the March referendum.

Reform

More immediately, there is the prospect of modest reform through the initiative of the Highlands and Islands Development Board. In the 13 years of the board's existence, there has been little to sustain the fears of Conservative MPs who alleged that it was "Marxist" in concept, when the Bill which established it was going through the House of Commons. On the other hand, those who welcomed it have been dismayed by its failure to challenge the power of Highland landowners.

Now, however, under the chairmanship of Sir Kenneth Alexander, the board has sought additional powers from the Government, whose response is currently awaited, after interested parties have been consulted. The board stresses that it is not interested in land nationalisation, in doctrinal terms, but only in land use. They are, therefore, seeking powers to tell landowners that unless they show willingness to put their land to productive use, it will be taken from them—by compulsory purchase if necessary.

The spirit of the proposals has been welcomed by bodies such as the National Farmers Union and the major political parties, though opinion is divided over the compulsory purchase aspect. Critics on the left think that there are too many "warning" stages before compulsory purchase becomes a possibility; on the right there is blanket opposition to the very inclusion of the words compulsory purchase.

The statistics on land use in Scotland are striking. Grouse moors cover about 3m acres of Scotland with an average annual yield of just one brace per 10 acres. Due to decline in standards of management, grouse moors are less productive today than they were at the beginning of the century. Red deer graze over 5.6m acres, which yield an average of less than one pound of meat per acre each year.

While it is not disputed that much of the moor and hill land could not be adapted to any other agricultural purpose, it is the view of the landowners' critics—including the Highlands and Islands Development Board—that much more land could be brought into productive use. The Zuckerman Report to the House of Commons, back in 1957, suggested that there were 100,000 acres of reclaimable land in the Highlands alone, while the Highlands Advisory Panel stated in 1964 that "this greatly underestimated the possibilities in view of the considerable developments in techniques in recent years."

Since then the trend on the big estates has been for more and more land to go out of productive use. A recent study by the head of the land division at the HIDB, Mr. John Bryden, suggested that "it seems possible that up to 100,000 acres of rough and hill grazings could be improved in Argyll alone." It is against this background that the HIDB can credibly stress that it is concerned with land use rather than the theory of ownership.

The only previous legislation on Scottish land during the life of the present Government was the Crofting Reform Act of 1976 in which provision was made for crofters to be able to buy their few acres of inbye land. It is a right which very few of them have exercised — not surprisingly, in view of the very favourable status enjoyed by crofters who pay only a few pounds per year in rent.

Most of the 2m acres of the Highlands and Islands which are under crofting tenure—the product of legislation in the 1880s passed in response to land agitation—are made up of rough, common grazing. This land is not subject to the proposals put forward by the HIDB, and no satisfactory plan of action has yet emerged for the regeneration of crofting which, by and large, means part-time farming on marginal land in areas of high transport costs.

There is continuing pressure within the Labour Party for crofting land to be taken into public ownership. This could be achieved relatively cheaply, since the fact that crofting landlords enjoy strictly limited rights over the land is reflected in the low market value of crofting estates.

For all the changes that are taking place, landowners remain tremendously powerful people in social terms. History has left Scotland with a grotesque maldistribution of land which, if she was an independent country, would disqualify her from economic support from the World Bank. Until there are some steps taken towards righting this imbalance, the landowners can expect little public support in their protests over *taxation, foreigners, institutions or anything else*. The image that they have built for themselves over a couple of centuries will take a few more years at least to break down.

Brian Wilson

Fishing

CONTINUED FROM PREVIOUS PAGE

boats over 80 ft taking white fish. Mr. Silkin, however, says there can be no regional concessions.

Mr. Jo Grimond, Liberal MP for Orkney and Shetland, has warned Mr. Silkin that if he settled for exclusive rights up to 12 miles and the dominant share of the quotas up to 50 miles he would cause considerable dismay in the industry. He points out that in the islands there is no hinterland in which fishermen can obtain other work, except of a temporary nature, possibly connected with oil. He warns that such islands as Whalsay and Skerries would face total disaster if anything happened to the fishing industry.

The Shetland fishing fleet is based on Whalsay, once described as the richest island in Britain. It relies 100 per cent on fishing. Its purse netters are fishing for mackerel off Cornwall. With a new purse netter due to arrive at the end of this month and another on order for next year there are fears among the older generation of fishermen that the younger crews, who are having to borrow heavily to finance these boats, are taking a great risk.

Slump

When the Shetland fleet go to their traditional white fish grounds they find them overcrowded with deep sea trawlers forced to fish nearer home because they have been driven out of Iceland and given only a meagre quota from the Faroes. Up till the end of September the white fish catch had slumped by 40,000 cwts and the returns at £2.4m were down by almost £0.5m.

Fish processors in Shetland are also facing problems. One factory in Yell has already closed while Whalsay Fish Processors Limited, has over the past few years gone from strength to strength. With the installation of highly sophisticated freezing and packaging equipment, it is now looking to provide a leading supermarket chain in England with prepacked frozen fish.

The current plight of the industry can be summed up in the words of Mr. Charles Meek, chairman of the White Fish Authority: "It is clear a great many fishermen have done exceedingly well in the past year but it is to be hoped this success will not be allowed to mask the realities of imperilled stocks, dangerously high prices and a fundamental lack of control over British resources to which our Community partners have equal access."

While the politicians are dilly dallying the fishing industry, particularly in Scotland, is crumbling away.

Leslie Able

Problems in engineering

AT FIRST SIGHT Scotland's engineering industries appear to be staging a slight recovery from the slump at the end of last year. Industrial production figures for the first quarter of this year compared to the last quarter of 1977 were up by four per cent—double the UK increase.

But the impression given by official statistics hardly corresponds to that given by the constant news of closures and lay-offs which has been trickling out throughout the year. In fact if we discount the fourth quarter of last year, when the production index fell to 97 (1970=100), we see that the new figure of 101 was the lowest since the summer of 1973.

As is often the case, the official figures give a misleading impression of the state of health of engineering in Scotland. Not only are they considerably in arrears, but they group together very different activities with widely diverse experiences. On closer examination, much of the apparent revival is due to the continued growth of electronics and the slight recovery of shipbuilding from its very low level last autumn (although shipbuilding is lumped together with vehicle building, so it is impossible to get a clear picture of what is happening in either industry).

The picture throughout this year has been gloomy, with very few bright spots to relieve the grey. Perhaps the only encouraging thing one can say about engineering in general, is that the Scottish economy is relying less and less on it. Recent studies have indicated that it has been displaced from its once central position and that the economy is far more diverse than had been imagined.

A number of important Scottish companies have announced substantial reductions in their labour forces or the prospects of reduction. They include Hoover, which announced plans to close its smallest plant at Hamilton and warned that the continuing low level of demand for domestic electrical goods could mean that redundancies are necessary among the total 3,500 workforce. Sunbeam, another electrical goods manufacturer, said that it might have to close its plant at East Kilbride unless productivity was increased. More recently, Massey-Ferguson said that it had plans to shed 1,000 of the 1,500 jobs at its Kilmarnock combine harvester factory as part of its programme to reduce losses across the world, and Singer, which proposed the loss of 2,800 jobs at its Clydebank plants over the next few years.

Singer is an illustration of a situation which is occurring again and again in Scottish industry. The company actually wants to spend £8m in new investment at Clydebank, but on a much slimmer operation. It will introduce new models of sewing machine to help it take on competition from Japan, but wants to phase out production of industrial machines and needles.

The workforce, with financial assistance from the Government via the Scottish Development Agency, commissioned PA Management Consultants to prepare a strategy for retaining some of the industrial sewing machine production and has now put this to the management, but at the time of writing the management has yet to respond.

The combination of new investment and reductions in the workforce is not unique to Singer. National Cash Register at Dundee has faced similar problems of having to re-equip to meet technological change and increased competition, while reducing drastically its labour requirements and in the few rescues that have taken place of collapsed companies a similar drop in employment has occurred. Neptune International, of Atlanta, for example, took over the collapsed Glenfield and Kennedy works at Kilmarnock at the end of last year to the great relief of the town, which feared the total loss of one of its biggest employers.

Project

There have, however, been some items of good news. Babcock and Wilcox, which last year expressed grave uncertainty over the future of its Renfrew plant, now—after the Government's decision to bring forward the Drax B power station order—feels sufficiently confident to plan a £70m reconstruction of the site, making it one of the most modern and efficient boiler making plants in the world.

The final go-ahead for the plan depends on an agreement with the Government and the electricity supply industry on the timing of new power station orders through the 1980s and 1990s. There have been differences between the power station plant industry and the Central Electricity Generating Board over the Drax contract and will doubtless be more in the future. But as the alternative to some general agreement is the collapse of the British power plant industry, it seems unlikely that some form of understanding will not be reached.

The Scottish Development Agency has also been active during the past year, and among its most significant investments was the £3.5m secured loan towards Caledonian Airways £5m engine overhaul centre, to be built close to Prestwick Airport. When it is complete, the factory will employ 250 and be among the most advanced of its kind in the world, catering for the General Electric CF6 Turbofan engine.

Success

Another SDA-aided company, Stonefield Vehicles, in which the Agency has a 75 per cent stake, recently launched a sales drive in the Far East to promote its four-wheel-drive rough terrain trucks. The company, which employs 150 people, has been in production only since the spring, but has already sold 40 vehicles worth £500,000. Its success, and that of another relatively small Scottish producer, Volvo Trucks (Great Britain), is in contrast to the very mixed year that the two major companies in the field, Chrysler and British Leyland, have had over the past year.

Volvo, known until last month as Ailsa Trucks, but now trading under its parent company's name, has steadily increased its output of buses and lorries and is aiming next year for an output of 1,300 vehicles. Mr. Stelg-Arne Olsson, managing director of the Irvine-based company, said at the opening of the Motor Show that sales next year could top £100m—a higher figure than that expected for Volvo in its home country of Sweden.

Chrysler's Linwood plant, which manufactures Sunbeam and Avenger cars, and British Leyland's Bathgate truck and tractor factories, were both hit by lengthy and damaging strikes this year which in both cases seriously threatened their futures.

In Chrysler's case, the end of the five-week stoppage of paint shop workers, seems to have been an opportunity for a fresh start to industrial relations and productivity, which had slumped badly in the first half of the year, has been higher, on some occasions reaching 90 per cent of targets—little short of the plant's productivity record.

These improvements will have to be maintained if the plant is to win the confidence of its new owners, Peugeot-Citroen. Its long term future depends not only on good industrial relations, but also on the success of the Sunbeam small car—launched into Europe this summer—and the development of a new medium car to replace the eight-year-old Avenger.

Bathgate, which was stopped for seven weeks by a machinery strike, is also experiencing an increase in productivity and a dramatic fall in the level of absenteeism. Both are the result of new productivity and grading arrangements which were negotiated before the strike, but were not given sufficient time to prove themselves.

R.P.

Steel investment

AN ENCOURAGINGLY high level of investment has been maintained this year in the Scottish steel and metals manufacturing industry, despite the continued severe depression in demand for most products.

The British Steel Corporation, by far the largest producer in this sector in Scotland with 20 works employing 21,000 people, continued major expansions of liquid steel production, tubes manufacture and foundry facilities.

Private foundries completed a string of developments financed over the past three years by the Government's successful ferrous foundry scheme, which has made payments of over £6m in Scotland.

And British Aluminium, who operate the three smelters at Invergordon, Lochaber and Kinlochleven, are considering a major expansion of aluminium production in Scotland and expect to announce their conclusions next year.

BSC *have this year still* been in the frustrating position of having to finance heavy expenditure on new low-cost equipment without having the plant on stream to reduce costs.

Consequently, when the corporation announces its half-yearly results next month the Scottish division, which lost £83.2m last year after interest, is still expected to be heavily in the red.

But significant progress was made this year towards getting the vital new plant on stream. The £230m programme to double liquid steel output from the main Scottish works at Ravenscraig to 3.2m tons is now more than two-thirds complete.

While capacity just now is still much the same as before, at around 1.5m tons, this is expected to rapidly increase next year and again in 1980. The installation of some of the most sophisticated equipment in the UK—130-ton basic oxygen steelmaking vessels producing into continuous casting machines—means that costs should show a sizeable reduction.

By the end of the year, too, the Scottish division will have completed the phasing out of the older costly open-hearth furnaces, the last one still in operation, at Glengarnock, is due to close on December 23.

Linked with this strategy to concentrate bulk steel production at Ravenscraig is BSC's £100m deepwater iron ore terminal at Hunterston on the Ayrshire coast. This jetty, the largest in the UK, will from next summer be capable of taking bulk carriers of up to 300,000 tons, unloading their cargoes and railing them the 40 miles to Ravenscraig.

There has been investment too in BSC's other Scottish works which do not belong to the Scottish division. At the Clydesdale and Imperial tube works of the Tubes Division about £45m has been invested in almost doubling output of seamless casing tube for oil wells.

BSC has consistently won over 90 per cent of all orders for North Sea casing, with more than 250,000 tonnes of Scottish-produced casing now installed. The expansion, involving a new electric arc furnace, has led to BSC competing in markets as far afield as Russia, China, the U.S., and Middle East.

The Sheffield-based foundries division also has spent money *in Scotland. It recently inaugurated* its modernised and expanded Craigneuk foundry in Wishaw, at a cost of £7.2m.

Mills

But while this development has continued apace, the deepening recession in demand is causing major problems for the corporation's Scottish mills, which are at present operating at just 50-60 per cent of capacity.

The hot and cold rolled strip which is a main product from Ravenscraig and its associated Gartcosh mill goes largely to the car and consumer durable markets. Even the pick-up in car demand this year has proved insufficient to boost output significantly.

Another staple Scottish product is plates for shipbuilding. Although the Scottish division has been most successful—largely because of low pricing—in winning the bulk of orders for plates for offshore oil platforms and other North Sea developments, it is still not enough to make up for the heavy decline in demand from the shipyards, which can only get worse.

The two direct reduction plants being built at a cost of £60m at Hunterston—the first in the UK—are to be mothballed when completed in mid-1979. They were intended to produce 800,000 tonnes a year of iron pellets as feed for electric arc furnaces, but the present low price of scrap has ruled them uncompetitive for the moment.

BSC has also had to hold the cancellation of 500,000 tonnes of new electric arc capacity at Hunterston and Ravenscraig, until there is a market, and the oft-aired dream of a major integrated steel plant at the Ayrshire peninsula has now faded into the dim mists of at least the next decade, if not the 1990s.

The corporation faces two major problems in Scotland over the coming year: to begin to reduce its losses in line with the national BSC target of viability by 1980, and to find a market for its products which are soon sharply to expand as new developments come on stream.

Mainly because of the Ravenscraig scheme the Scottish division's share of total BSC output is set to rise from about 11 per cent to 15 per cent by 1980-81. It remains to be seen whether the Scottish works can sell more steel south of the border and overseas to make maximum economic use of its expensive new equipment.

In the iron-making sector the Scottish Economic Planning Department has to date made offers of assistance totalling £6,356,132 to 28 foundries, including two BSC works at Craigneuk and Fullwood.

Although there remain some late offers still to be taken up, it is already clear that the Scottish foundry industry has undergone a substantial modernisation under the Government's scheme which must improve its ability to compete with the rest of the country in such vital markets as the motor industry and hydraulic valve industry.

British Aluminium's study of possible developments at their Scottish smelters stem from the fact that primary capacity in the UK is still more than 150,000 tonnes short of domestic consumption. Demand is rising worldwide despite the recession, and some sources of supply, particularly in the U.S., have become increasingly unreliable.

The main Invergordon smelters, with an annual capacity of 100,000 tonnes and opened less than 10 years ago, relies for its profitability on 200 megawatts a year of cheap electricity from the South of Scotland Electricity Board. Any potential expansion would have to be linked to a similar agreement.

Lewis Thornton

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Innovators and the law's delays

BY A. H. HERMANN, Legal Correspondent

LAWYERS on both sides of the Atlantic are trying to devise measures which would reduce the adverse effect which product-safety legislation has on innovation.

Long and costly tests necessary in order to obtain an official certificate of safety for an ever-increasing range of products reinforce tendencies unfavourable to innovation which have been apparent for some time in modern industrial societies.

To a certain extent this is the inevitable price for eliminating as far as possible the dangers associated with technological progress and mass production methods. It is another question whether it is really necessary and desirable for these measures to bring imitators as great an advantage over innovators as they do at present. Moreover, the burden placed upon innovators reinforces other tendencies militating against them that have become apparent in modern industrial societies.

Protection

The history of the past 100 years has been largely one of incessant innovation, first in the mechanical and electrical industries and later in the chemical and electronic industries. During the greater part of this period innovators were protected and encouraged by laws designed to ensure that the time and expense needed to develop a new product could be recouped with profit, provided the market approved of the product. The legal machinery serving this end consisted of patent, copyright, and industrial design laws protecting inventors and creative artists; of trade mark laws protecting those who took the trouble to market goods of a quality worth remembering; and of laws protecting industrial and business secrets, enabling those who would or could not rely on a patent to bring a new product to the market well ahead of imitators.

Recent legal developments have put a brake on the pace of innovation. They include the gradual erosion of the patent system by the ease with which chemical or electronic innovations can be modified to enable those with money for litigation to frighten off the genuine, but financially weak inventor. The restrictions of patent licensing already put into effect by the EEC Commission, or proposed by the Commission and by the developing countries, further diminish the rewards of innovators.

The limitations to which EEC law subjects the use of trade marks is well known. One can sympathise with efforts to stop the abuse of trade marks for brainwashing consumers by means of concentrated advertising. It is also justifiable—once one accepts the desirability of a common market in Europe—to oppose the use of trade marks for the cordoning-off of national markets intended to protect higher price levels in one member country.

It is, however, not widely known that the two latest trade mark decisions of the European Court allowing, under certain conditions, the repacking of trade-marked products by dealers not authorised to do so by the manufacturer, provide a legal mantle under which dishonest operators could sell imitation products under the trade-mark owner's label. The first decision taken in the dispute between Hoffman-La Roche and Centrafarm makes it possible for an importer to repack a trade-marked product and to sell it under a label bearing the original trade mark.

In the second case, concerning a dispute between Centrafarm and American Home Products, the possibility was opened up for the importer to repack the trade-marked product under a different trade mark used by the same manufacturer in the country of importation.

Product liability legislation if enacted as proposed by the European Commission, would make innovation very risky by making innovators responsible for defects of products which could not be foreseen or detected at the time the product was placed on the market. In October the European Parliament returned the proposed directive to its Legal Affairs Committee, which had earlier rejected it by a vote of 13 to 12. One of the many objections against the draft is that it would introduce no-fault liability for newly developed products and thus increase the risks connected with innovation. In this connection, one can ask whether the public interest in innovation should not be reflected in a public responsibility for damages exceeding a certain percentage of the innovator's turnover.

The increasing restrictions on the use of patent and trade mark rights and the erosion of copyright by new reproduction devices diminish the advantages so far enjoyed by innovators, and a stricter product liability imposes new burdens on them.

> "The increasing volume of product safety legislation provides imitators with an important advantage . . . to the detriment of innovation"

But the increasing volume of product safety legislation provides imitators with an important advantage which further reinforces the change in the economic climate to the detriment of innovation. The safety of drugs legislation has been for a long time a feature of all civilised legal systems. But the time and outlay required for the completion of biological and clinical tests to satisfy health authorities is constantly increasing. Expensive and time-consuming tests are also required before obtaining approval for insecticides and all sorts of plant protection products—and quite rightly so, as these can be even more dangerous to human health and environment than medicines. Numerous other chemical, electrical and radiation products have to be proved safe before their marketing is allowed. The same applies to new types of motor cars and other automotive machines and to building materials.

The development of products which are subject to preventive safety regulations has to take into account not only technological and commercial requirements but also the legal requirements and standards of all countries where it is hoped to sell the product. But that is not the end of the story. Once development has been completed and the product tested and approved within an enterprise, it will have to be subjected to a series of controlled tests yielding verified results capable of satisfying the approving authority.

Approval can take two forms. Either, as is often the case with new building materials or chemicals used in agriculture or industry, a general authorisation will apply to the new material and anybody may start making it or selling it without having to go through the long and costly process preceding an authorisation. Or, the approval will apply only to the specific product of the enterprise applying for it so that others wishing to market an imitation will have to apply again. In both cases the imitator will start with the tremendous advantage of having by-passed internal development costs and will be betting on a probable winner. In the first case he will be spared the need to prove the safety of the new material altogether. In the second he will at least benefit directly or indirectly from the tests by which the innovator proved his product.

Where the authorisation concerns the application of a certain material or standard mechanical device, for example in building construction, it is usually of the first type, open to everybody. The only possibility open to the innovator is to try to salvage as much as he can of the advantage of having been first by means of trade mark rights. This will be of little avail if the imitators are either financially stronger or have a better distribution network, so that they can beat a trade mark which is backed by adequate advertising and promotion and has only the dubious advantage of having appeared a few months earlier.

If the imitator has to obtain approval for his own product, as is mostly the case with pharmaceuticals, insecticides, electrical devices and other complex products, the approving authority will approach his application with the knowledge that a product of this type can be harmless. Depending on the possibilities of variations introduced by design or in the course of the production process, it will require only supplementary tests or none at all. The benefit of the knowledge which cost the innovator much time, effort and money will be obtained by the imitator free of charge. There is, however, no chance that imitator could be made to pay compensation on the grounds of "unjust enrichment." He did not receive anything, in the legal meaning of that word; he was merely saved further expense and loss of time.

Hopeful

The position of the innovator seems, in theory at least, somewhat more hopeful when the authorisation or certification of the product leads to publication of knowledge acquired during the development or testing process, or if such knowledge is imparted by the authority to imitators in the course of processing their applications. It seems rather doubtful that an enforcement of confidentiality would be of great practical value, even in countries which recognise that government agencies may use confidential information only for the purpose for which it was obtained. But there could be a claim against the imitator using knowledge concerning a patentable product, if courts follow the reasoning of the German Constitutional Court. This decided in 1971 that such knowledge was intellectual property and as such guaranteed protection by the German Fundamental Law.

Compensate

The recognition that knowledge acquired during the development and testing of a new product is intellectual property deserving protection also underlies the U.S. Drug Regulation Reform Bill (1978). This would provide that the testing data should be made accessible to all legitimately interested parties—for example consumer organisations—but would compensate the innovator by prohibiting commercial exploitation of such information for a period of five years.

An attempt to protect the innovator was made in the U.S. in 1975 by the Amendment of the Federal Insecticide, Fungicide and Rodenticide Act. It provides that the approving authority may use the data obtained from an earlier applicant only if the later applicant can show that he has obtained permission from the first, or at least has offered him reasonable compensation. This provision seems to have met with difficulties of application and a number of legislative proposals to improve it are now being considered in the U.S.

All these proposals would require each applicant to prove the safety of his product by his own tests. The innovator who has obtained a previous safety approval for his product would be protected for a period—proposed variously to be between seven and ten years—during which the strictness of the protection would be gradually reduced. In the first phase, the innovator would be guaranteed the exclusive use of his test results and later applicants could benefit only after obtaining permission from him. In the second phase, the later applicants could be accorded the benefit of the knowledge gained by the authority from the first applicant in a procedure not unlike the granting of a compulsory licence. In other words, a period of absolute protection would be followed by a second period in which the imitators could benefit from the work of the innovator on condition that they paid him a lump sum or a royalty determined in much the same way as in the case of a compulsory licence for the exploitation of a patent.

A similar solution is considered to be desirable by the majority of EEC member states in connection with the proposed amendment of the 1967 EEC directive on the grading, packing and marking of dangerous substances. Under this proposal, a later applicant could use the data submitted by an earlier applicant only with the approval of the latter.

It remains to be seen whether these ideas will be given wider acceptance. The need for some balancing of the disadvantages which innovators now suffer should be seen as one of the important problems of European industrial policy.

The discussion now centred on product liability and the future of patents and trademarks ought to be widened to embrace also the consequences of preventive control of product safety. Though it certainly would not be an easy task, it does not seem altogether impossible to ensure that measures designed to ensure product safety or to protect competition do not militate against innovation.

Letters to the Editor

Inflation and incomes

From Professor D. Johnson

Sir,—It is with some trepidation that I reply in a critical manner to my friend and colleague Professor Basil Moore (Nov. 10). One need not however substitute good manners for a friendly clash of ideas.

Professor Moore proposes the integration of an incomes policy simultaneously with appropriate monetary-fiscal policy to eliminate inflation. He believes in what I call the "naive" cost (wage)-push theory of inflation; naive because it substitutes a description of the process of inflation for a causal explanation. He argues that it is necessary to find some way of operating on the rate of wage increase directly. According to Prof. Moore, the Government should place "... a simple tax on excessive wage increases." And this tax-based incomes policy (TIP) must be integrated with some monetary aggregate of monetary policy.

I suppose that most, if not all, businessmen in this country (United States too) believe that inflation is produced in just the way described above. But this is a misconception of the inflationary process resulting from the fallacy of composition. What is true for each individual is many times the opposite of what is true for everybody taken together.

To any given businessman the pressure on him to raise prices comes in the form of an increase in wages and costs. He believes that he is forced to raise prices because of this. And he is correct. If the individual businessman deals with a union, he will attribute this pressure to the union. If there is no union, he will attribute it to some other force driving up wages. And because it is true for the individual businessman that cost increases have forced up his prices, many therefore conclude that the overall level of prices can be increased in a continuous manner by the same wage pressure. But this is fallacious.

If the monetary authorities refuse to accommodate high wage demands, aggregate wage payments do not actually increase. A prior increase in the money supply is required. Thus money, not wages, determine the price level.

Now, where does this leave any sort of incomes policy? An incomes policy must somehow keep people from spending their money, reducing velocity—that is, unless you get people to live on cash, nothing will happen through an incomes policy of any sort. Saving money in financial institutions doesn't count because that money is loaned and spent—people have to be persuaded to "stuff" money in mattresses.

The above does not mean that I and other monetarists are oblivious to the possible short-run costs of rising unemployment resulting from anti-inflationary monetary policy. I feel that the question of the unemployment cost of eliminating inflation is like asking someone when you last beat your wife? The relevant question is given that economic agents readily anticipate future inflation, what will be the unemployment cost of not beating inflation? It can be shown that if a country allows inflation to accelerate it will have a higher unemployment rate than if it was eliminated.

Dudley W. Johnson.
(Professor of Business Economics, University of Washington and Sir John Cass Senior Research Fellow 1978-79),
City of London Polytechnic,
School of Business Studies,
84, Moorgate, EC2.

A policy for pay

From the Chairman, Creamline Dairies

Sir,—Currently there is considerable argument as to the merits or otherwise of an incomes policy, there is evidence that high taxes and welfare payments are encouraging idleness and strikes, and the chairman of the Supplementary Benefits Commission has warned that the system is becoming so complicated that it is in danger of breaking down.

It would seem to me that these three problems might be mitigated by the introduction of a statutory minimum hourly wage rate for all adult workers (based on a 40-hour week) related to the retail price index and adequate for all essentials such as food, clothing and housing, etc. plus a further percentage to cover reasonable luxuries. This would be reviewed periodically, but if attempts were being made to check inflation the "luxury" element of the wage need not necessarily be increased automatically. Unemployment and sick benefit would cover essentials only, and some of this could be given in voucher form to further discourage the small but significant percentage of idlers and malingerers.

Most of the bureaucratic, undignified and expensively administered subsidies included in the "social wage" could then be abolished but it would be necessary to retain and possibly extend family allowances to cater for the differing needs of those with children. These would be the same regardless of whether the individual was working or not.

Provided that the Government kept a strict control of the money supply and discontinued the practice of subsidising strikers' families it would then be possible for individuals or groups of workers, who thought they had a case, to negotiate for wages in excess of the statutory minimum without interference from any outside body. Principal factors affecting the negotiations would be the relative degree and scarcity of the skills of the workers, and also the prosperity of the individual firms or industries involved. For example, skilled joiners in a depressed building industry might get less than semi-skilled workers in a prosperous computer factory, but the position would be changing constantly.

Some might argue that a minimum wage would price poorly paid workers out of a job, but surely this is specious. It cannot make sense to pay inadequate wages and then supplement them with a bewildering variety of benefits. If there are sound reasons for assisting certain industries, then import duties or direct subsidies would be better and cheaper than indirect wage subsidies.

The policy outlined above would I believe reduce bureaucracy, cut Government expenditure, improve the dignity of the worker and introduce a sense of reality into industrial relations. It would also enable the Government to clearly establish the national "guide lines" by the extent to which the minimum wage was adjusted, without involving itself in a rigid pay policy and direct confrontation with those who wished to break it.

W. S. Roe,
Creamline Dairies,
Weymouth Road,
Eccles, Lancs.

Reversionary bonuses

From Mr. R. Miller

Sir,—While in no way disputing Mr. Habermann's mathematical analysis (November 18) it does seem to me that one of his assumptions used in his calculations is patently misleading.

It is stated that current reversionary bonus rates have been projected forward in the case of the 25-year endowments. There is to my knowledge no major life assurance company, at least since the end of the First World War, which has not increased its reversionary bonuses in any 25-year period. The percentage increase in bonus rates may well not match the rate of inflation; but it is surely pointless when comparing the real costs of mortgages under the different methods available to, on the one hand, discount building society interest rates for an annual rate of inflation and, on the other hand, ignore the corresponding accretion in money terms resulting from the historically inevitable effect that the current bonus rates will increase. Or is this a case of history is bunk?

R. F. Miller,
Calcados, Guildford Road,
Normandy, Surrey.

A tax on culture

From Mr. G. Levy

Sir,—May I add to Mr. Hugh Leggatt's timely strictures (Nov. 24) on the government's philistine policy of imposing VAT on works of art?

Lord McCluskey, the Solicitor General for Scotland, said in the House of Lords debate (Nov. 21) of the zero-rating of exports of works of art, "this relief provides no incentive to a dealer to sell a work of art to an overseas buyer, since the dealer's receipts from such a sale are the same as if he had sold to a United Kingdom customer."

The fact is that for a dealer's receipts to be identical his prices have to be exclusive of VAT liability, as indeed they frequently are. For example, a leading dealer in fine engravings regularly prints the following in his catalogues: "English customers will be required to pay 8 per cent VAT in addition to the listed price. Prints sold to export customers are exempt from this tax." There could be no clearer example of how collectors in the United Kingdom are at a financial disadvantage as compared to their overseas competitors.

In addition, Lord McCluskey claimed that "it is usual to find that the purchaser abroad has to pay VAT on importation of the goods." But this is of course only true of countries within the EEC: Lord McCluskey's briefing was questionable in that it ignored the fact that the United States and Switzerland (where VAT does not apply) constitute by far the most important export markets for works of art.

George J. Levy.
H. Blairman and Sons,
119, Mount Street, W1.

Road fund licence

From Mr. P. Unsworth

Sir,—I am concerned that the proposed renewal of the road fund licence will probably have more of an effect on safety on the roads than it will on the economics of motoring.

Kenneth Gooding (November 22) reports that between 7 per cent and 9 per cent of motorists were evading road fund licence payments. Therefore, between 91 per cent and 93 per cent of us review our licence annually and when so doing are required to produce a current certificate of insurance and if the car is more than three years old a current MOT certificate.

My concern centres on the temptation offered to more than 9 out of 10 motorists not to renew their insurance and not to have their cars MOT tested unless an equivalent to the current procedure of the annual checks of insurance and road worthiness are introduced. This is essential to ensure that motorists are insured and their vehicles are roadworthy.

Nowhere have I seen any proposals from the Government regarding these aspects of the removal of the road fund licence. Will they be forthcoming?

I am worried. If these aspects are ignored road safety will suffer. If not it is possible that we will need more than the 800 people saved by the proposal to operate an enforcement system for motor insurance and MOT tests.

P. W. Unsworth,
Braemar,
Oakleigh Road
Clayton, Bradford, Yorks.

Nuclear power in Austria

From Mr. T. Prager.

Sir,—Permit me to comment—as briefly as I can— on your report on Austria's nuclear referendum (November 7) which has only just reached me.

While it is perfectly true that there is a large and increasing gap between Austria's energy requirements and her domestic energy supplies, there is no reason to assume that nuclear power would have helped to reduce her dependence on foreign supplies over the life cycle of the Zwentendorf or any further nuclear power plant. The raw material comes from abroad, the enriching and re-processing is done abroad, the vital parts of the plant are supplied by Siemens-KWU (FGR) and waste disposal—while as yet uncertain—was meant to be taken care of by Persia or Egypt or anyone else willing to look after it. In fact, there have been no more than hopeful noises about the latter. Apart from some of the steel, cement and various gadgets the only thing about Austria's nuclear power that would have been Austrian would have been the risk of the whole thing.

This, on the other hand, would have been quite substantial. Zwentendorf is situated within 25 miles of Vienna (the U.S. require 35 miles beyond population centres of a given area of density, far exceeded in this case); it is situated in one of Austria's earthquake zones; both wind and water flow in the wrong (easterly, Vienna-bound) direction. A lot of noted geologists, meteorologists, etc. claim this was quite the worst site to choose.

Many scientists and technicians have their doubts, too. Suffice it to point out that Zwentendorf's twin sisters of the light water (KWU) reactor type in West Germany worked less than 30 per cent capacity in the first half of this year, and that at the time of the referendum all but one were at a complete standstill, and even the only one working had only just been set going on the eve of the referendum—as was the case, what a fortuitous circumstance! — on the eve of the Bavarian regional elections on October 15, having been out of order for four months prior to that date, and, again, just after . . .

I will not here dwell on the phoney cost calculation of, allegedly 40.5 Groschen per kWh for electricity from Zwentendorf, at a time when no one had any idea about the cost of final waste disposal, and very little about enrichment costs or the cost of dismantlement at the end of the plant's life.

So far from producing an economic or an energy disaster, the result of the referendum may prove (many of us, including a lot of economists, are convinced it will prove) a blessing in disguise.

For one thing, it will cause the Government to take steps, at last, to ensure that energy saving measures are put into effect, thereby taking note of the severe censure incurred on that account by the recent report on Austria by the International Energy Agency (for which, by the way, some of us have not much time on the score of its unseemly bias in favour of nuclear power, whatever).

For another, it will help remove some of the bureaucratic and other obstacles in the way of the utilisation of other sources of power, both conventional and unconventional.

As for the need to go on importing large and increasing quantities of coal, oil, and gas, perhaps even electricity from Eastern Europe (primarily the USSR and Poland) or from the developing countries (in our case Iraq, Iran, Libya, perhaps Algeria), this at least has the advantage of ensuring exports of roughly equivalent quantities of (mostly) investment goods which countries like West Germany, etc., are, for obvious reasons, much less willing to take. The balance of payments will not be burdened on that account and the maintenance of full employment and of continuing modest growth will be that much easier.

Theodor Prager,
Vivaldigasse 3,
1100, Vienna.

Cheap energy in the U.S.

From Mr. J. Weiner

Sir,—Your New York correspondent reports (November 22) on the mounting price pressures and shortages in parts of the U.S. oil and petrol markets and quotes a current 56.3 cents (28.9p) a gallon for 94 octane petrol and 44 cents (22.6p) a gallon for domestic heating oil the U.S. gallon is of course smaller than our Imperial gallon.

Nevertheless, on a per litre basis U.S. petrol is still about half the UK price, one-third of the German and Swiss, and about one-quarter of the French. Domestic fuel oil is some 35 per cent cheaper than in the UK.

Is it too simple to suggest that the agony of the dollar will continue until gas-guzzling, energy-based and profligate America begins to pay the world rate for perhaps its key item? No amount of currency, monetary, fiscal or regulatory manipulation can correct this major cost and price discrepancy between the U.S. and others, and all expert ruminations and explanations, which ignore it, will continue to be wide of the mark.

John M. Weiner,
Manor Cottage, Oving,
Whitchurch, Bucks.

Today's Events

GENERAL

Irish Prime Minister Mr. Jack Lynch arrives in London for talks with Mr. James Callaghan about European Monetary System.

Mr. Denis Healey, Chancellor of the Exchequer, meets members of the Labour Party's National Executive's Economic and International Committees.

Mr. Roy Jenkins, European Commission President, meets President Giscard d'Estaing in Paris to prepare for Brussels summit.

Sir Terence Beckett, Ford's chairman, is told of Government sanctions for breach of pay code.

Mr. Elias Sarkis, Lebanese President, arrives in Paris on three-day official visit.

EEC Education and Social Affairs Councils meet in Brussels.

Civil and Public Services Association votes for 26 executive council seats.

Newspaper Society technical conference and exhibition opens at Metropole Exhibition Hall, Brighton (until November 30).

Sir Kenneth Cork, Lord Mayor of London, receives Thai Foreign Minister; dines with Bakers' Company, Mansion House.

Mr. Donald McHenry, the U.S. diplomat, arrives in Khartoum for four days of talks.

Symposium on Waste in Government Departments, Porchester Hall, London.

Petrol tankers drivers threaten strike in New Zealand.

Birmingham Chamber of Industry and Commerce holds Middle East orientation course (until December 1).

1978 Schools Prom, at Albert Hall (until November 29).

PARLIAMENTARY BUSINESS

House of Commons: Debate on oil spillage. Opposed private business.

COMPANY RESULTS

Final dividends: Matthew Brown and Co. J. H. Fenner and Co. (Holdings), Greencoat Properties. Interim dividends: Chamberlain Phipps, Country Gentlemen's Association, Property and Revisionary Investment Corporation, Sumrie Clothes, Streeters of Godalming, Suter Electrical, Watson (R. Kelvin). Interim figures: S. and U. Stores.

COMPANY MEETINGS

See Financial Diary on page 30.

COMPANY NEWS

Harris Queensway offer for sale to raise £7.75m

THE expected offer for sale by Harris Queensway, the carpet and furniture retailing group, is of 5m shares at 155p each, raising £7.75m. On this basis the group will be capitalised at £28.25m.

At the issue price Harris is coming to the public on a prospective p/e for the year ending on December 23 of 9.45, excluding profits on asset disposals and on a full tax charge. The annualised dividend offers a yield of 7.51 per cent and the underlying net asset value is equivalent to 34p a share.

Of the 5m shares, 1m are new and will raise £1.21m for the company. The rest are being sold by Harris family interests.

The group was started by its current chairman, Mr. Philip Harris, at the age of 15, when he took over three shops run by his late father.

In July 1977 Harris Carpets, as it then was, took the major step of acquiring the loss making Queensway Discount Warehouses. This marked the company's first experience of furniture and took it into "out of town" retailing.

Queensway has been substantially reorganised. Seven shops have been closed, the staff cut from 800 to 500, the advertising budget reduced and the range of goods changed. In the year ended September 1977 Queensway made a trading loss before interest of £478,000. In the half year ended last June under the Harris wing, Queensway made a trading profit of £908,000.

The group's carpet chain was extended last May with the acquisition of J. Ross in Scotland, operating a total of 29 shops. In the half year ended last June Ross contributed £9,000 to Harris's profits.

Overall the group now operates 129 carpet shops with a total selling area of 287,000 sq ft and 22 discount stores with a selling area of 694,000 sq ft.

Both divisions "have considerable scope for further expansion," says the prospectus.

At present the company operates three warehouses for its carpet division. Furniture stocking is done on the site of the stores. The warehouses also hold all the group's cutting equipment. At present there are six Darwin machines with capacity to cut 15,000 lengths per week. The average usage is 9,000 with peaks of 11,000 cut lengths.

The group has entered into an agreement where it will lease a new 177,000 sq ft warehouse near [illegible]. Construction of the warehouse is well under way and it is expected that it will be operational by September next year.

In it Harris will be investing £1m in new machinery and racking for the warehouse, which it says will be the most advanced in Europe and perhaps rank second in the world. Cutting capacity will be raised to 22,000 cut lengths per week and storage capacity will be 1.5m sq yds. At current prices its stocking capacity is £9m of carpet.

During the five years ended December 24, 1977, group turnover increased from £3m to nearly £20m and pre-tax profits from £335,000 to £1.0m. The latest figure was depressed by the losses made by Queensway of £83,000.

In the year ending next month Harris is forecasting profits of not less than £3.3m including £500,000 attributable to property sales. The directors intend to pay a dividend of 4.5p next May. If the company had been quoted for a full year dividends would be 7.8p per share.

In terms of market share the group holds around 7 per cent of the carpet market and around 2 per cent in furniture. Eight new carpet shops will be opened early in 1979 and six discount stores are planned to start trading next year. There are plans to open a further two discount stores.

The directors consider that the medium- and long-term prospects are "excellent."

Though the last balance sheet dated June 1978, showed net debt of £2.3m against shareholders' funds of nearly £4m, that position was largely a result of debt inherited from its acquisitions. By the end of last October Harris had £1.4m of cash while borrowings were £258,306.

● comment

Harris Queensway has shown some impressive growth and the speed at which the management turned round Queensway in less than a year is some indication of what it can do at Ross, the latest, but smaller, acquisition. Indeed one of the reasons that the company has gone public is to give it more muscle for acquisitions and it looks as if Harris will be active on the bid front in the future. As far as the stock market is concerned the furniture carpet retailing sector lacks a definite leader to judge others' performances against, but Allied Retailers, which is disappearing into Asda, must be the one that Harris will be compared with. However, there are some fundamental differences between Harris and Allied, for example Allied's furniture shops are situated in shopping centres whereas Harris is out of town. Harris is pushing ahead with its new store opening programme, but that aside there is obviously some more mileage to get out of Queensway and Ross in terms of profits. At 155p the p/e of 9½ and yield of 7½ per cent is a rating that Harris can justify, though it is not cheap. This is the largest issue this year and is of sufficient size to tempt more institutions, so a good response seems likely.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:— Chamberlain Phipps, [illegible] Association Properties and [illegible] Investment Corporation, [illegible] Sutcliffe(?) [illegible], R. [illegible].

Finals:— Matthew Brown, J. [illegible], [illegible] Properties.

FUTURE DATES

Interims:—

[illegible]	Dec. [illegible]
Baker Perkins	Dec. [illegible]
[illegible]	Dec. [illegible]
[illegible] Stores	Nov. [illegible]
Jackson's Bourne End	Nov. [illegible]
[illegible] Group	Dec. [illegible]
[illegible]	Dec. [illegible]
Rowlinson Construction	Dec. [illegible]
[illegible] Investment	Nov. [illegible]
[illegible]	Dec. [illegible]
[illegible] Engineering	Dec. [illegible]

Finals:—

[illegible]	Dec. [illegible]
[illegible]	Nov. [illegible]
[illegible] McDougall	Dec. [illegible]
[illegible]	Dec. [illegible]
[illegible] Investment Trust	Nov. [illegible]
[illegible] of [illegible]	Dec. [illegible]

Freddie Mansfield

Sir Raymond Brown, chairman of Muirhead, seen with a newspaper page facsimile transmitter. Muirhead have provided 90 per cent of this type of equipment installed world wide. The Beckenham company pioneered this system which is to transmit pages nationally and internationally for newspaper satellite printing. The first system was sold to Japan in 1958 and there are now over 40 international installations. Five English newspapers are at present equipped including the Financial Times, which will use the system to transmit pages from London to Frankfurt from next January when the newspaper starts two-centre printing.

BIDS AND DEALS

Wimpey's new borrowing limit

The reorganisation of George Wimpey under the new holdings company, gives the directors a chance to increase the borrowing powers.

In the documents outlining the scheme of arrangement, it is proposed that the holdings company will be restricted to borrowings totalling twice the issued capital and the capital and revenue reserves of the group. Under its present structure Wimpey can only borrow against the capital and the revenue reserves. The difference means that the new company can borrow £[illegible]m whereas Wimpey is limited to £270.4m.

The change will allow Wimpey an even more generous margin over its current borrowings—£140m at the end of September—than it already has.

The group has three major legal actions against it with claims totalling £0.8m but it believes it has reasonable defences on each case. The largest has been brought by Oldham Estate which is claiming faulty workmanship on the Oldham shopping and office centre. In Spain there is a £2.6m contest over a share stake bought in 1972, and in London, the collapse of a sub-contractor may have made Wimpey liable for £1m worth of problems on an office block built for Blackay Trustees.

BRAHAM MILLAR

Braham Millar Group has agreed to acquire the Nailsea Engineering Group for £150,000 cash.

Nailsea is a private group located in Kendal, Cumbria, supplying pollution and environmental control equipment to the quarrying and chemical process industries. Net tangible assets acquired are almost equal to the purchase price.

SHARE STAKES

Alliance Investment Company: National Coal Board Staff Superannuation Scheme and Mineworkers' Pension scheme bought 150,000 shares on November 21. Total holding 553,952 shares (3.01 per cent).

Jessel Toynbee and Co.: D. C. G. Jessel's beneficial holdings has been reduced by 56,250 shares. Mr. Jessel is a director.

Lendu Rubber Estates: Kuala Lumpur Kepong Investments is now beneficial owner of 115,000 shares (5.11 per cent).

Feedex: G. L. Storr, director, has sold 30,000 shares and Mrs. V. J. Storr 3,000 shares.

Winston Estates: P. T. D. Guyer, director, has transferred 3,000 shares to members of his family. D. R. Kirch, has acquired a further 25,000 shares making holding 317,000 shares (5.72 per cent).

CCP North Sea Associates—Cluff Oil has acquired further 10,422 shares and now holds 127,077 (13.6%).

Jardine Japan Investment Trust—Merchant Navy Officers Pension Fund holds 1,120,000 shares (11.2%).

Guinness Peat Group—D. J. Ewart disposed of a beneficial interest in 16,000 shares on Nov. 20.

Martonair International—Non-beneficial interests of A. G. Cheston were increased to 727,778 shares by a transaction on Nov. 21.

Fothergill and Harvey—In connection with rights issue, Industrial and Commercial Finance Corpn. and Associates own 524,433 shares (6.38%). Britannic Assurance took up its rights on 155,880 new shares together with the rights to a further 33,334 new shares and, therefore, is now interested in 680,000 shares (5.09%).

Assam Frontier Tea Holdings—Scottish Northern Investment Trust has acquired further 5,380 shares making total 63,360.

Alliance Investment—London and Manchester Assurance and subs has disposed of 32,315 shares reducing holding to 573,819 (7.8%).

ASSOCIATES DEAL

County Bank, an associate of S. and W. Berisford, has acquired 75,000 Turner Curzon ordinary shares at 5p.

FT Share Information Service

The following security has been added to the Share Information Service appearing in the Financial Times: Ferranti (Section: Electricals).

Rediffusion up at half time

IN THE half-year to September 30, 1978, Rediffusion lifted pre-tax profits from £7.28m to £8.09m on turnover ahead from £67.75m to £84.54m.

The interim dividend is pegged at 0.875p net. Last year dividends totalled 4.791p on pre-tax profits of £17.43m.

The half-year pre-tax profits include share of associated companies' profits of £1.45m, against £1.12m. Minorities are £8,000 (£101,000) and tax takes £5.18m (£4.82m).

Profit attributable to the company, which is controlled by British Electric Traction Company, is up from £2.56m to £2.91m.

	Six months	
	£000	£000
Turnover	84,548	67,750
Trading profit	6,634	6,163
Associates share	1,452	1,117
Profit before tax	8,087	7,280
Tax	*5,185	4,821
Profit after tax	2,902	2,459
Loss attrib. to minorities	8	−102
Profit attributable	2,910	2,560

* Charge for taxation is high in relation to pre-tax profit, mainly because losses in certain overseas countries cannot be set off against profits elsewhere.

Taxation for the half year takes £570,000, against £494,000.

Humphries £0.2m at midway

PRE-TAX profit of Humphries Holdings, developer and printer of motion films, was up from £115,300 to £214,000 for the six months to September 30, 1978 on turnover little changed at £5.43m against £5.3m.

Profit was struck after lower interest of £161,000 compared with £248,000, and there were no redundancy payments this time against £43,600 previously.

The directors had reported a turnround from a £34,988 loss to a £250,263 profit in the 1977-78 year and said that the group should make a modest profit in the current year.

They now say that the profit for the second half may not reach the level achieved in the first six months.

Humphries is 73.37 per cent owned by British Electric Traction Company.

Chesterfield Props. up to £1.09m

PRE-TAX PROFITS of Chesterfield Properties went up from £883,000 to £1.09m in the half-year to June 30, 1978. Turnover rose from £1.83m to £2.02m.

	Six months	
	1978	1977
	£000	£000
Turnover	2,018	1,826
Income completed props, etc., before interest	1,512	1,407
Interest*	422	536
Profits associates†	14	12
Pre-tax profit	1,094	883
Tax	578	464
Income from completed properties net	516	419
Minority interests	314	[illegible]
Attributable	202	[illegible]
Dividend	196	173
Retained	[illegible]	[illegible]

* Interest of £56,800 gross (six months to June 30, 1977, £32,000) on properties held for, or in the course of, development has been capitalised. † Includes £7,900 from the Chesterfield [illegible] (Europe) group. Company's interest in this group sold in August 1978.

The interim dividend is up from 1.75p to 2p net, from earnings of 5.25p (3.92p) per share. Last year the group paid a total of 4.03p net on pre-tax profits of £1.78m.

Charities Property Unit Trust

Mr. Cecil Baker, chairman of the Charities Property Unit Trust, told unitholders at the AGM that the recent substantial increase in MLR had no immediate impact on the property market. There was, however, an air of caution among the investing institutions.

Initially, Mr. Baker continued, the new rate of MLR was expected to last for a few weeks only. The feeling now is that it could remain at the current level for some months.

The prospects for rental growth next year, in consequence, appeared to be considerably more favourable than had been experienced in 1978, particularly in the retail property sector.

RESULTS AND ACCOUNTS IN BRIEF

FOURTH CITY AND COMMERCIAL INVESTMENT TRUST—Loss for year to June 30, 1978, £61 (loss £1,683), after all charges and nil tax (same). No dividend. [illegible]

HELLENIC AND GENERAL TRUST (in Hambros group)—Interim dividend 1.38p for 15 months to March 31, 1979. Revenue before tax £348,873 after interest charges and expenses £118,528 for six months to September 30, 1978. [illegible]

YORKSHIRE AND LANCASHIRE INVESTMENT TRUST—Results for year to September 30, 1978, with net asset values already reported. [illegible]

LOWLAND INVESTMENT COMPANY—[illegible]

LONDON AND HOLYROOD TRUST—[illegible]

J. O. WALKER (timber importers)—Turnover £21,461,000 [illegible]

GLEN ABBEY (knitwear, hosiery, etc.)—[illegible]

DRAYTON CONSOLIDATED TRUST—Results for year to September 30, 1978 [illegible]

SCOTTISH NATIONAL TRUST COMPANY—[illegible]

THARSIS SULPHUR AND COPPER—[illegible]

CITY AND COMMERCIAL INVESTMENT TRUST—[illegible]

DAVID DIXON AND SON (LEEDS)—Turnover half year to September 30, 1978 £1,448,000 [illegible] Company is a subsidiary of David Dixon and Son Holdings.

BORDER AND SOUTHERN STOCKHOLDERS TRUST—Results for year to September 30, 1978, already known. [illegible]

W. N. RIBBONS HOLDINGS—Results for year to June 30, 1978, already reported. Fixed assets £3.13m [illegible]

INTERNATIONAL COMPANY NEWS

AMERICAN AIRLINES

Recriminations mount in New York

BY JOHN WYLES

NEW YORK, Nov. 26.

A SHOCKED and increasingly irritated American Airlines is finding itself the target of mounting public recriminations over its decision to move its corporate headquarters out of New York.

The anger generated in the city's business and labour community was clearly unexpected and the airline is particularly upset by Warner Communication's widely publicised move to boycott all of American's services. According to Warner this will cost American about $1m a year in lost revenues which would normally be spent with the airline by the communications conglomerate.

Mr. Albert Casey, American's chairman, is so enraged by this reprisal that he is threatening to transfer more than the 1,200 of the airline's 9,000 New York area employees to Dallas, Texas. But this might invite further boycotts of the airline which is really being condemned for rocking the boat at a time when New York is fighting desperately to *polish its image and attract new* jobs.

Seeing a sly opportunity to best a rival, Trans World Airlines has taken full page advertisements in city newspapers proclaiming "TWA loves New York," pointing out that it has been headquartered in the city for 30 years and asserting "TWA thinks New York is a great place to do business."

America has said that the move to Dallas-Fort Worth Airport is logical because of its developing route system which requires a corporate presence in the heartland of America. Others suspect that the $87m package *offered by the Dallas-Fort Worth* Airport Commission provided an irresistible lure, despite the fact that the Port Authority of New York and New Jersey offered office space in the World Trade Centre at one-third of the rental to be paid in Texas.

Mayor Koch branded the move "a betrayal" but has been critical of Warner's reprisal. There seems no doubt that the hostility has to some extent been generated by the fact that Mr. Casey has been extremely active in the city's affairs, including holding a seat on its financial watchdog, the Emergency Financial Control Board. Few had thought it likely that he would lead his company into a move which is inevitably seen as a comment on New York's attractions as a corporate capital.

Vote by Dovre shareholders for liquidation

By Fay Gjester

OSLO, Nov. 26.

SHAREHOLDERS IN the troubled Norwegian insurance company Dovre voted unanimously to wind up the company, in accordance with a plan drawn up by Norway's five largest non-life companies. At the same time, the Norwegian Insurance Companies' Association announced that it will seek a public inquiry into the events which led to Dovre's crisis.

The plan, which aims at liquidating Dovre without having it declared bankrupt, is the result of weeks of negotiations between the five companies and Dovre's largest creditors, most of whom have agreed to settle for only about half the amounts due to them. In return, the five companies — Storebrand, Vesta, Gjensidige Skade, Norden and Norges Brannkasse—have guaranteed that between them they will put up the money needed—estimated at about NKr 40m ($7.8m)—to allow a controlled wind-up. They have invited other members of the Insurance Companies' Association to share the burden. Two of the five—Storebrand and Norden—will put up any additional funds that may be required, over and above the NKr 40m.

Ferodo expands components control

BY DAVID WHITE

PARIS, Nov. 26.

FERODO, the French motor components group which two months ago upset the expansion plans of the UK's Lucas Industries, is making two more important moves to strengthen its market position in Europe.

Firstly, Ferodo has, for an unspecified sum, bought control of Soma Europe Transmissions, a company based in Saint-Etienne with a workforce of 2,500 and a turnover approaching FFr 500m (over $100m).

The purchase pre-empts the reported intentions of Dana Corp of the U.S., a minority shareholder. Soma makes about 30 per cent of its turnover abroad and has production facilities in Spain and the U.S.

Ferodo said that the take-over marked an important step in strengthening the group's interests outside motor cars. Soma's products are also used in heavy vehicles, construction machinery and other areas.

At the same time, Ferodo has agreed on buying control of the Spanish company Fraymon, described as the sole supplier of clutch systems to Spanish motor plants. The agreement is still subject to approval by the Spanish Government.

Fraymon is expected to have a turnover of Pts 4bn ($56m) this year.

CANADIAN RETAIL TRIANGLE

Legal hurdle for the Bay

BY JIM RUSK IN TORONTO

THE BID by Hudson's Bay Company of Winnipeg for Simpson's Ltd., of Toronto and the competing agreement between Simpson's and Simpson-Sears Limited of Toronto, are becoming bogged down by legal considerations.

Canada's Minister of Industry, Trade and Commerce, Mr. Jack Horner, has promised that the country's Foreign Investment Review Agency will move as expeditiously as possible to consider the merger between Simpson's and Simpson-Sears, a company which Simpson's controls jointly with Sears-Roebuck of Chicago. However, sources within the Agency say that it will not be possible for it to rule on the bid before Simpson's' shareholders meet to consider it on December 15.

It has been expected that the Agency would reject the merger because a Canadian company, Hudson's Bay, is waiting in the wings to buy Simpson's. That speculation may turn out to be academic. A clause in the 1952 agreement between Simpson's and Sears-Roebuck to set up Simpson-Sears gives Sears-Roebuck the first right of refusal to buy Simpson's shares in Simpson-Sears, at book value. The current book value of the 30m shares is C$157.8m (U.S.$133m) or about $3 a share less than the current market.

The clause complicates Hudson's Bay's position. Hudson's Bay has indicated that it would be willing to dispose of the Simpson's equity in Simpson-Sears in order to keep the acquisition from running foul of Canadian competition laws. However, if the 1952 agreement to sell were to apply to a Hudson's Bay in control of Simpson's, the sale, which would give Sears-Roebuck 80 per cent of the equity in Simpson-Sears, would be at a price that is probably lower than the Hudson's Bay is counting on.

Currency, Money and Gold Markets

Europe's brave face

BY COLIN MILLHAM

President Giscard d'Estaing appears resigned to starting the European Monetary System without Britain, but is keen enough to have sterling as part of the operation, since he says that France is willing for Britain to join after the starting date. As far as countries like France, Italy and Ireland are concerned it would be to their advantage to see sterling in the system, if only to spread the pressure which may build up against their own currencies, if they are forced to keep in line with the D-mark. However nervous certain European leaders may be about the future of the EMS, there was no sign of anything but confidence from most central banks. Call money in Paris fell to 6½ per cent, the lowest level since early February 1976, apparently reflecting the confidence of the authorities in the French franc. On Friday it was announced that French M-1 money supply rose by only 0.9 per cent in August, following a rise of 2.3 per cent in July. Retail prices rose by 0.9 per cent in October, to give France an annual inflation rate of 9.3 per cent, compared with about 2.1 per cent in Germany, based on the consumer price index.

The Italian authorities also gave an impression of reasonable confidence, easing the restrictions on foreign trade by increasing the number of days that exporters and importers are allowed to hold *foreign currency to 15 days from* seven. In recent months the lira has been fairly steady, easing against most currencies, but rather surprisingly gaining ground in terms of the Swiss franc over the last three months. Italy's balance of payments position has also given rise to increased confidence lately.

Elsewhere the Belgian National Bank has repaid a large amount of its debt to the European Monetary Co-operation Fund, taken out when the Belgian franc was under heavy pressure against the D-mark within the European currency snake. After four repayments Belgium now owes BFr 28.141bn, compared with BFr 42.648bn at the height of the *franc's problems before the* D-mark was revalued on October 15.

The best chance of success for the EMS may yet depend on the continued stability of the dollar. Last Friday U.S. bank prime rates rose to 11½ per cent from 11 per cent, the highest level for over four years. This underpinned the U.S. currency in late trading.

GOLD

	Nov. 24	Nov. 23
Gold Bullion (a fine ounce)	[illegible]	[illegible]

CURRENCY RATES

[illegible]

THE DOLLAR SPOT

[illegible]

FORWARD AGAINST $

[illegible]

* U.S. cents per Canadian $.

THE POUND SPOT

[illegible]

FORWARD AGAINST £

[illegible]

Six-month forward dollar 1.93-1.88c pm. 12-month 3.65-3.55c pm.

OTHER MARKETS

[illegible]

Rate given for Argentina is free rate.

EXCHANGE CROSS RATES

Nov. 24	Pound Sterling	U.S. Dollar	Deutschemark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.939	3.745	379.0	8.585	3.356	4.085	1646	2.283	58.65
U.S. Dollar	0.516	1.	1.931	195.5	4.426	1.752	2.096	849.0	1.177	30.25
Deutsche mark	0.267	0.518	1.	101.2	2.292	0.897	1.085	439.6	0.609	15.66
Japanese Yen 1,000	2.639	5.116	9.881	1000.	22.65	8.859	10.73	4344	6.022	154.7
French Franc 10	1.165	2.259	4.364	441.6	10.	3.912	4.736	1918	2.659	68.34
Swiss Franc	0.298	0.578	1.116	112.9	2.556	1.	1.211	490.5	0.680	17.47
Dutch Guilder	0.246	0.477	0.921	93.25	2.111	0.826	1.	405.0	0.561	14.43
Italian Lira 1,000	0.607	1.178	2.275	230.2	5.213	2.039	2.469	1000.	1.386	35.63
Canadian Dollar	0.438	0.850	1.641	166.0	3.760	1.471	1.781	721.2	1.	25.70
Belgian Franc 100	1.705	3.306	6.385	646.2	14.63	5.725	6.931	2807	3.892	100.

MONEY RATES

NEW YORK

GERMANY

FRANCE

JAPAN

[illegible]

LONDON MONEY RATES

[illegible]

Local authority and finance houses seven days' notice, others seven days' fixed. * Longer-term local authority mortgage rates nominally three years 12½-12¾ per cent; four years 12¾-13 per cent; five years 12¾-13 per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rate for four-month bank bills 11¾-12 per cent; four-month trade bills 12¾ per cent.

Approximate selling rates for one-month Treasury bills 11¾-11⅞ per cent; two-month 11¾-11⅞ per cent; three-month 11¾-11⅞ per cent. Approximate selling rate for one-month bank bills 11¾-12 per cent; two-month 11¾-12 per cent; and three-month 11¾-12 per cent; one-month trade bills 12¾ per cent; two-month 12¾ per cent; and also three-month 12¾ per cent.

Finance House Base Rates (published by the Finance Houses Association) 10 per cent from November 1, 1978. Clearing Bank Deposit Rates for small sums at seven days' notice 10 per cent. Clearing Bank Base Rates for lending 12½ per cent. Treasury Bills: Average tender rates of discount 11.5625 per cent.

UK PENDING DIVIDENDS AND ISSUES

The dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. Dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

[illegible]

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

BASE LENDING RATES

A.B.N. Bank	12½%	■ Hambros Bank	12½%
Allied Irish Banks Ltd.	12½%	■ Hill Samuel	§12½%
American Express Bk.	12½%	† C. Hoare & Co.	†12½%
Amro Bank	12½%	Julian S. Hodge	13½%
A P Bank Ltd.	12½%	Hongkong & Shanghai	12½%
Henry Ansbacher	12½%	Industrial Bk. of Scot.	10 %
Associates Cap. Corp.	12½%	Keyser Ullmann	12½%
Banco de Bilbao	12½%	Knowsley & Co. Ltd.	14½%
Bank of Credit & Cmce.	12½%	Lloyds Bank	12½%
Bank of Cyprus	12½%	London Mercantile	12½%
Bank of N.S.W.	12½%	Edward Manson & Co.	13½%
Banque Belge Ltd.	12½%	Midland Bank	12½%
Banque du Rhone	13 %	■ Samuel Montagu	12½%
Barclays Bank	12½%	■ Morgan Grenfell	12½%
Barnett Christie Ltd.	13½%	National Westminster	12½%
Bremar Holdings Ltd.	13½%	Norwich General Trust	12½%
Brit. Bank of Mid. East	12½%	P. S. Refson & Co.	12½%
■ Brown Shipley	12½%	Rossminster	12½%
Canada Perm't Trust	12½%	Royal Bk. Canada Trust	12½%
Cayzer Ltd.	12½%	Schlesinger Limited	12½%
Cedar Holdings	12½%	E. S. Schwab	12½%
■ Charterhouse Japhet	12½%	Security Trust Co. Ltd.	13½%
Choulartons	12½%	Shenley Trust	14 %
C. E. Coates	12½%	Standard Chartered	12½%
Consolidated Credits	12½%	Trade Dev. Bank	12½%
Co-operative Bank	*12½%	Trustee Savings Bank	12½%
Corinthian Securities	12½%	Twentieth Century Bk.	13½%
Credit Lyonnais	12½%	United Bank of Kuwait	12½%
Duncan Lawrie	12½%	Whiteaway Laidlaw	13 %
The Cyprus Popular Bk.	12½%	Williams & Glyn's	12½%
Eagil Trust	12½%	Yorkshire Bank	12½%
English Transcont.	12½%		
First Nat. Fin. Corp.	12 %		
First Nat. Secs. Ltd.	12 %		
■ Antony Gibbs	12½%		
Greyhound Guaranty	12½%		
Grindlays Bank	†12½%		
■ Guinness Mahon	12½%		

■ Members of the Accepting Houses Committee.

* 7-day deposits 10%, 1-month deposits 10½%.

† 7-day deposits on sums of £10,000 and under 10%, up to £25,000 10½%, and over £25,000 10¾%.

‡ Call deposits over £1,000 10%.

§ Demand deposits 10%.

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. r Dividend and yield based on prospectus or other official estimates for 1979. q Gross. † Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. || Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. |||| Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

Public Works Loan Board rates

Effective from November 11

Years	Quota loans repaid by EIP†	At maturity	Non-quota loans A* repaid by EIP†	At maturity§
Up to 5	12¾	12¾	13	13	13¼	13¼
Over 5, up to 10	13	13⅛	13¼	13¼	13⅜	13½
Over 10, up to 15	13⅛	13⅜	13⅜	13⅜	13½	13⅝
Over 15, up to 25	13¼	13⅜	13½	13½	13⅝	13⅝
Over 25	13¼	13⅜	13⅜	13⅝	13⅝	13⅝

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Barnsley Metro. (0226 203232)	12	½-year	250	2-7
Barnsley Metro. (0226 203232)	11¼	½-year	250	3-4
Chorley (02572 5611)	11¾	½-year	1,000	5-7
Exeter (0392 77888)	12	½-year	500	6-7
Knowsley (051 548 6555)	12¼	½-year	1,000	6-10
Manchester (061 236 3377)	11¾	½-year	500	3
North Kesteven (0529 303241)	12¼	½-year	1,000	5-7
Poole (02013 5151)	11	½-year	500	2-3
Poole (02013 5151)	11½	½-year	500	6-7
Poole (02013 5151)	11¾	½-year	500	5
Redbridge (01-478 3020)	11¾	½-year	200	4-5
Sefton (051 922 4040)	12	½-year	2,000	2-3
Wrekin (0952 505051)	12¼	yearly	1,000	5-10

MINING

Gold dividends should be good

BY LODESTAR

THE GOLD price is bearing up quite well under its recent stresses and strains. The market has already gone through the fire of the first of the increased monthly sales by the U.S. Treasury. But the doubled offering of 1.5m ounces on December 19 still lies ahead as a restraining factor. At the moment there seems to be some buying strength when the price dips below $200.

In the meantime, South African gold shares continue to lag well behind the earning capacities of most mines at this level, beleaguered by political fears and, for UK investors, nervousness about the future of the dollar premium.

But particularly for those who do not have to pay that premium, yield attractions will be underlined by the coming half-year dividend season. Anticipatory buying is likely to be concentrated on the shares of companies which are expected to announce good increases in their payments.

Vaal Reefs

The bulk of the announcements will be made next month but those of the Anglo American group's Vaal Reefs, Southvaal and Western Deep will not be coming along until January. A payment of around 120 cents is expected from Vaal Reefs. This would make a 1978 total of 220 cents (130p), nearly double last year's 115 cents.

Of the December declarations, particularly good payments are expected from East Driefontein with a possible 60 cents to make 100 cents (59p) for the year against 75 cents, Kloof with an interim of maybe 40 cents (23.7p) against 15 cents a year ago; Stilfontein, the uranium attractions of which were pinpointed here recently; Western Areas which may bring its 1978 total up to 25 cents (14.8p) from last year's 10 cents; and Libanon with an interim of at least 60 cents (35.5p) compared with 100 cents for the whole year to last June.

Hartebeest is also expected in some quarters to make a good start to its 1978-79 year with an interim of at least 125 cents which would make a 300 cents (177p) total for the two 1978 payments although it should be remembered that the 175 cents final in June was [illegible] by the drawings made against the customer loan for capital during [illegible] the mine's uranium expansion.

The course of Buffelsfontein's share price is likely to be conditioned by whether the forecasts earlier this year of a 300 cents (180p) total for 1978, dampened by the interim being only 200 cents against a predicted 250 cents, are borne out by a 300 cents final. Opinions about this seem to be distinctly mixed.

* * *

That soaring comet of the Australian nickel boom Tasminex, which quickly burned out at the time, has risen from the ashes and, as previously recorded here, has even reached the dividend-paying stage thanks to a wolfram operation in Tasmania in which the big Canadian mining house McIntyre has been showing an interest. In fact, it has spent enough on a prospecting programme to qualify for a 50 per cent interest in Tasminex's exploration licences near Burnie.

A flat zone of tungsten mineralisation several hundred feet wide and several hundred feet long has been indicated by drilling. The zone is irregular but is close to surface and averages around 0.5 per cent wolfram with other steeply dipping narrow zones giving indicated values of 0.8 to 1.0 per cent.

McIntyre considers the possibilities sufficiently interesting for a preliminary feasibility study to be initiated to determine the approximate economics of the prospect. Tasminex shares have come back with the rest of the down-under market and are now 85p in London. They were 135p in August.

That current high-flying market comet the Canadian-Irish Northgate group's Westfield Minerals has certainly not burnt out yet. On Thursday the shares touched a peak 335p and closed on Friday at 320p, up 64p on the week, and well over double their price of only a few weeks back.

Bulk samples

The latest news from the company's Newfoundland uranium prospect is laconic enough. A programme of reconnaissance prospecting and trenching in the Humber River area has shown uranium mineralisation to have been "found in place." Bulk samples from a test pit have been sent for assay. Results therefrom had better be good if the shares are to sustain their recent rapid rise.

* * *

Rustenburg has taken the plunge. It has raised its producer price for platinum from $280 to $300, a bold move after the recent free market collapse which momentarily took quotations down below $300 in New York. Friday afternoon's London "fix" was $323 against $308.50 a week earlier. Rustenburg shares are 87p. They now look worth considerably more than this.

INSURANCE

Some drivers more equal than others

BY OUR INSURANCE CORRESPONDENT

NO ONE questions that the purpose of insurance is to amass the contributions of the many to pay for the misfortunes of the few. But there is always argument over the level of individual contributions for particular risks.

It is generally accepted, apart from in the State sector where we all pay flat-rate contributions for National Health insurance irrespective of health and claims records, that if there is a statistical average risk attracting an average premium, then variations from that average should pay more or less in premium accordingly.

In Britain, big companies writing motor insurance have, for most of this decade, submitted underwriting and claims data to the Motor Risk Statistics Bureau set up by the British Insurance Association.

Analyses

They regularly receive computer prints showing costs in a series of "one-way analyses": for example, by age of driver; type and size of car; or geographical location of policyholder. With millions of policies and claims being analysed over several years, insurers can say confidently that some motorists are more equal than others.

No one with access to statistics, of the market or of individual insurers, disputes the clear evidence that the young motorist is a much heavier risk than the older, mature driver.

Partly that is so at the outset because of inexperience; partly it continues to be so through the late teens and well into the twenties because of youthful exuberance, impetuosity, even lack of consideration for others.

That is true not only in Britain but throughout the world. Consequently the younger motorist has to pay more than his older neighbours and the novice young motorist even more—often for less cover.

In the U.S., which has all kinds of consumer pressure groups and where each State has an insurance commissioner who in some degree controls rating (not just for motor business) it seems that an "unfair to young drivers" campaign is growing.

Partly that is political, for the insurance commissioner depends upon popular vote in his State for his continuance in office: the insistence that insurers give premium rating concessions to young motorists at the expense of older motorists, in a highly motorised society, undoubtedly has a view to vote-catching.

Fortunately in Britain the Department of Trade is content to exercise its supervisory powers on a broad basis, leaving market competitive forces to ensure that premium levels and differentials for varying degrees of risk continue to be fair and reasonable. Apparently, UK motor insurers can afford to watch the American scene with mild amusement and without apprehension.

Or can they? From the Irish Republic, where the cost of insurance for the average motorist is more than for the average inner-London motorist, I hear that increasingly vocal complaint is being made that motor insurers are treating young drivers too harshly and that perhaps even some Government pressure may be put on insurers.

If so, it is to be hoped that insurers will stand firm and insist that they be left their jobs of assessing in premium terms the relativity of average, better-than-average and worse-than-average risks.

Any concession, even in that part of the British Isles which is a separate, independent State, might amount to the first step down the slippery slide to the point where not only would good motorists subsidise the bad, but good risks generally in other insurance fields would pay more than their fair share of premium for cover that they have to invoke less frequently than do more hazardous policy-holders.

TEL AVIV

Company	Price Nov. 26 1978	Change on the week
Banking, Insurance and Finance		
Bank Leumi le Israel	[illegible]	+1.0
IDB Bankholding	459	+7.0
Bank Hapoalim Br.	477	−9.0
Union Bank of Israel Br.	495	+25.0
United Mizrahi Bank	214.5	+4.5
Hassneh Insurance Br.	[illegible]	+7.0
Gen. Mortgage Bank Br.	325	+3.0
"Tefahot" Israel Mortgage	448	+27.0
Land Development		
Africa Israel Invest(IL10)	309	−20.0
Israel Land Develop. Br.	250	+11.0
Property and Building	368	+15.0
Public Utility		
Israel Electric Corp.	274	+14.0
Investment Companies		
Bank Leumi Invest.	[illegible]	−1.0
"Clal" Israel Invest.	407	−25.0
Commercial and Industrial		
Alliance Tyre and Rubber	[illegible]	−70.0
Elco Br.	208.5	−20.0
Argaman Textile Br.	230	−3.5
"Ata" Textile "B"	190	−25.0
Amer. Israel Paper Mills	475	+9.0
Assis	[illegible]	−16.0
Elite	[illegible]	+4.5
Taya Bag	275	−21.0
Fuel and Oil		

Source: Bank Leumi le-Israel, BM, Tel Aviv.

WORLD STOCK MARKETS

Indices

NEW YORK—DOW JONES

	Nov. 24	Nov. 22	Nov. 21	Nov. 20	Nov. 17	Nov. 16	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
Industrials●	810.12	807.00	804.05	805.51	797.73	794.16	907.74 (8/9)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	85.98	85.96	87.02	85.85	88.91	85.55	86.65 (4/1)	82.12 (15/11)	—	—
Transport	214.63	212.56	211.04	211.65	210.41	202.49	261.46 (8/9)	199.31 (9/1)	279.88 (7/2/69)	12.23 (8/7/32)
Utilities	98.29	99.46	99.15	99.02	98.94	97.56	110.98 (5/1)	98.95 (14/11)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's	24,690	20,070	26,750	24,550	25,240	21,640	—	—	—	—

\- Basis of index changed from Aug. 24. ● Day's high 812.93 low 805.95

Ind. div. yield %	Nov. 17	Nov. 10	Nov. 3	Year ago approx
	5.90	5.90	5.77	5.44

STANDARD AND POORS

	Nov. 24	Nov. 22	Nov. 21	Nov. 20	Nov. 17	Nov. 16	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	106.55	105.94	105.50	105.81	104.88	104.02	116.71 (12/9)	95.52 (6/3)	134.64 (11/1/73)	3.52 (30/6/32)
Composite	95.73	95.48	95.01	95.25	94.42	93.71	106.99 (12/9)	86.90 (6/3)	125.85 (11/1/73)	4.40 (1/6/32)

	Nov. 15	Nov. 8	Nov. 1	Year ago (approx.)
Ind. div. yield %	5.27	5.16	5.13	4.78
Ind. P/E Ratio	8.64	8.81	9.04	9.42
Long Gov. Bond yield	8.66	8.76	8.68	7.78

EUROPE

AMSTERDAM

BRUSSELS/LUXEMBOURG

SPAIN

TOKYO

COPENHAGEN

VIENNA

STOCKHOLM

HONG KONG

GERMANY

SWITZERLAND

BRAZIL

JOHANNESBURG

MILAN

AUSTRALIA

OSLO

PARIS

WALL STREET

NEW YORK

CANADA

INTERNATIONAL CAPITAL MARKETS

هكذا من الأصل

INTERNATIONAL BONDS BY NICHOLAS COLCHESTER AND JOHN EVANS

Grey days for a big convertible

THE EXTENSIVE list of applications to the Japanese Finance Ministry for issues of foreign currency bonds shows that Japanese enthusiasm for the low interest rates of Germany and Switzerland is greater than ever before. Twelve D-Mark issues in the first quarter will total some DM 500m while almost twice that number of Swiss franc straights and convertible private placements will tap SwFr 1bn.

The news has spread into a market which is already going through a rough patch. The recent weakness of both the D-Mark and the Yen in the wake of the Carter package has removed much of the speculative charm of bonds denominated in one strong currency and convertible into shares denominated in another. Nor has the Japanese stock market been going anywhere fast over the past two months.

The recent DM-convertible for the Nippon Yusen shipping group proved a dud. It was trading at 94-95 on Friday after being priced, as normal, at par. Bankers are therefore looking askance at the DM 150m convertible for Sharp which WestLB is due to price on December 1. This is an unusually big bond for a Japanese company to issue, and there is a growing feeling that the yield may have to be firmed up to four per cent from the standard 3.5 per cent. The conversion premium is supposedly laid down by the Japanese authorities, but the pill can be sweetened with an attractively pitched fixed exchange rate for conversion—as WestLB did with Nippon Yusen.

The list for the first quarter includes a Sumo-sized DM 200m convertible for Kansai Electric Power, and, according to Nomura Securities, a threefold issue from Honda in D-Marks, dollars and Swiss francs with the last of these billed as the first ever publicly issued Japanese Swiss franc convertible. Vickers da Costa, which keeps close track of Japanese convertibles, feels that the convertible market is going to need careful tending in coming months.

The success of the authorities in helping the dollar against the three strong currencies has had a predictable impact on the Swiss franc foreign bond market. Prices have fallen by 3 per cent over the last fortnight, pushing the yield over 10-15 years up to 4 per cent. The minimum coupon that a prime borrower could now get away with would be 3.75 per cent, where First Chicago paid only 3.5 per cent a fortnight ago.

Borrowers, particularly good quality corporate borrowers, have been scared away from the rapidly rising franc. The big Swiss banks do not expect such fears, accumulated over years, to vanish because of a few weeks' weakness in the franc. They are resigned to a slack Christmas, but already see signs that they will become busier again in the New Year.

One distasteful development in Switzerland was the news that Rothschild Bank of Zurich had been excluded from the syndicate for the SwFr 60 FRN for Banque Nationale d'Algerie. Two Arab banks were included in the syndicate managed by Banque Gutzwiller, Kurz, Bungener, they were the Saudi Finance Company and Arab Bank Overseas. BNA asked Gutzwiller to invite Rothschild's to leave, it explained that this was temporarily necessary because of the tension surrounding the Egypt-Israel peace negotiations.

In the dollar and Deutsche Mark secondary markets, prices moved aimlessly last week as many institutional investors returned to the sidelines.

For most market participants, short-term U.S. dollar money market instruments were favoured over outright purchases of fixed-interest securities.

Uncertainty made its way to the fore again, in the shape of the forthcoming OPEC oil pricing conference in Abu Dhabi, and prospects for an acceleration in U.S. interest rate and inflation trends.

In fact, Citibank led the way on Friday to an 11½ per cent prime rate, confirming the continued upward pressure on short term New York interest rates.

The rally in Eurodollar bonds during the last few weeks—inspired by the U.S. measures to defend the dollar—had already run out of most of its steam by the beginning of the week.

Primary market activity in the dollar sector is still restricted to floating rate notes, with a few prime European banking names said to be waiting in the wings with issues.

The only new dollar issue was a $10m floating rate note for the subsidiary of the Israeli bank Mizrahi International Finance NV.

Indicated terms include a minimum coupon of 6½ per cent and a five-year maturity. The borrower will be paying a margin of ½ per cent and the issue will be arranged by Mizrahi Bank itself.

Some bond houses argue that the dollar straight sector could now prove ready for a new flotation, after being effectively closed for more than two months. The secondary market is unable to meet even modest buying requirements due mainly to the low level of inventory among dealing houses. Consequently a new issue could enable institutions to accumulate bonds in size and a potential high-quality borrower would have to pay no more than 9.25 per cent for an intermediate maturity bond, some underwriters claim.

The first issue to be denominated in Special Drawing Rights since 1975 had a moderately good reception but behaved better than had been expected in the after-market. The Swedish Investment Bank's SDR 25m seven-year flotation at 9 per cent was priced at par and was quoted at 99.5-100 in initial trading.

Still overshadowed by the heavy new issue calendar and interest rate uncertainties, the Deutsche Mark sector saw some slippage in quotations.

The big World Bank issue was priced at 99½ (instead of the indicated par). The private placement for South African Railways was set at 99½ and the Hitachi Shipbuilding offering at par with terms on these issues otherwise unchanged.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
†Sonatrach (g'teed Banque Exterieure d'Algerie)	50	1986/92	—	7½	100	CCF	7.38
†Mizrahi Int. Finance	10	1983	—	6½	100	Mizrahi Bank	6.86
D-MARKS							
‡Hitachi Shipbuilding	50	1983	5	5¾	100	WestLB	5.75
‡**South African Rail. and Harbours	50	1983	5	7½	99½	BHF-Bank	7.81
‡World Bank	400	1988	10	6¼	99½	Deutsche Bank	6.32
§Sharp Corp.	150	1988	—	3½	100	WestLB	*
§Tokyo Electric	40	1986	—	3½	100	Commerzbank	*
Occidental Int. Finance NV	150	1990	9.5	6½	*	WestLB	*
FRENCH FRANCS							
Societe Nat. Elf Aquitaine	150	1988	9	9¾	*	BNP	*
SWISS FRANCS							
‡†Banque Nationale d'Algerie	50	1988	9	4½	100	Banque Gutzwiller, Kurz, Bungener	4.55
YEN							
‡Norway	40bn.	1983	5	5.6	99½	Daiwa	5.74
KUWAITI DINARS							
‡Banque de Devel. Econ. de Tunisie (g'teed Tunisia)	7	1985	—	8	99½	KIC	8.10
City of Oslo	10	1990	8.1	7½	*	KIIC	*
SPECIAL DRAWING RIGHTS							
‡Swedish Investment Bank	25	1985	5.4	9	100	Crédit Suisse First Boston	9.0

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. Minimum § Convertible
** Registered with U.S. Securities and Exchange Commission. ¶ Purchase fund.
Note: Yields are calculated on AIBD basis.

SYNDICATED LOANS BY RICHARD C. HANSON

Tokyo insurers' lending

JAPANESE life insurance companies are increasing the pace of their participation in yen loans overseas, with some officials now even envisaging syndicates exclusively managed — and funded by insurance companies within a year or two, if the authorities permit.

The latest loan for large insurance interest participation is a Y20bn, ten-year credit to the Brazilian Development Agency, Sudene, finalised in Tokyo on Friday. Life insurance companies put up Y5.5bn of the loan, managed by Nippon Credit Bank, which will carry for the first five years an interest rate of 0.3 per cent over the Japanese long-term prime rate of 7.1 per cent and the equal margin over the prime rate five years from now (two foreign banks, Credit Lyonnais and Lloyds Bank, are also involved).

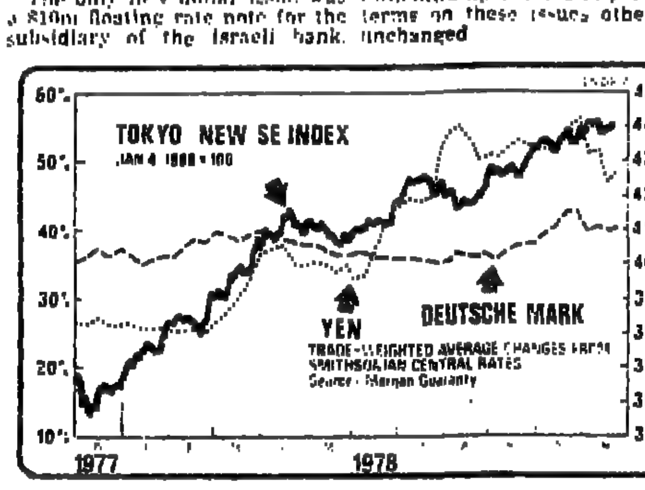
The first insurance company participation came just a year ago in December with a loan to the Mexican oil company Pemex. Since then (and counting three loans still to be officially signed), the life insurance companies have contributed a hefty Y134.6bn to syndicated yen loans to overseas borrowers.

The life insurance companies have to keep overseas loans within 10 per cent of their total assets of around Y18,000bn. The total so far is a mere fraction of this limit, which illustrates the enormous potential for yen lending by the insurance companies. Non-life insurance companies are not at present allowed to lend overseas, but are carrying on discussions with the Finance Ministry to receive such permission.

In the past two months, the life insurance companies have provided Y45bn of a Y70bn loan to the World Bank for 20 years at 7.6 per cent per annum and Y10bn of a Y40bn loan to Australia, also at 7.6 per cent for 20 years. Still in the pipeline are plans to participate for Y6.2bn in a Y10bn 10-year loan to an Algerian state-owned bank. This will be managed by Sumitomo Bank, with an interest rate set at the present 7.1 per cent prime plus 0.4 per cent for two years, and revised each year after that. The insurers will also provide Y5.1bn of a Y15bn 15 year loan to Panama at 7.7 per cent per annum.

The largest life insurance company, Nippon Life Insurance, alone will have participated in 18 Yen syndicates when those under consideration are finalised. The life insurance companies are cautious about the prospects of actually managing a loan syndicate, noting that it will be difficult to attract the mandate from potential borrowers who naturally turn to the banks for assistance.

It is believed, however, that the largest of the life insurance companies will have the ability to manage their own loans within a year, with smaller companies developing such skills in the next two or three years. But there is still some opposition at the Finance Ministry to the idea of the life insurance companies getting too deeply involved in this business.



BONDTRADE INDEX AND YIELD

	November 24		November 17		1978 High	1978 Low
Medium term	96.15	8.87	95.65	8.39	96.21 (19.4)	93.72 (30.10)
Long term	90.85	9.17	90.46	9.23	94.07 (19.4)	89.85 (30.10)

EUROBOND TURNOVER
(nominal value in $m)

	U.S. dollar bonds last week	U.S. dollar bonds previous week	Other bonds last week	Other bonds previous week
Euroclear	1,075.2	1,371.9	296.6	491.7
Cedel	523.1	432.9	203.1	317.6

U.S. BONDS BY DAVID LASCELLES

Fears become realities

THE BOND MARKET rally which began with President Carter's dollar rescue package on November 1 showed signs of faltering early last week. At the time it was explained as much by the stupor of Thanksgiving holiday week as by market nervousness. But on Friday, fears became realities when within the space of only an hour, the Fed moved to tighten credit, and the major banks yanked the Prime Rate a whole half percentage point up to 11½ per cent.

The result was an immediate and sharp drop in bond prices, with many issues losing a whole point or more. Thirteen-week Treasury bill rates rose from 8.67 per cent bid to 8.86 per cent, and there were comparable rises in yields on bellwether corporate and tax exempt issues.

The rise in prime rate was the less surprising of these two developments, though the bank's decision to go for a ½ per cent rather than the usual quarter added to its impact. The banks' cost of funds is still rising sharply, with 90-day commercial paper at around 10.25 per cent, and six-month certificates of deposit a shade higher.

So an increase in the prime was confidently predicted. Significantly it was triggered by Citibank which usually bases its rate on a mathematical formula using the cost of commercial paper. Predictions that other banks might not follow the full ½ per cent jump proved wrong.

There was greater uncertainty over the Fed's intentions, though the knowledge that the open market committee held its monthly meeting on Tuesday sharpened expectations of a change in the key Fed funds rate. Sure enough, as the prime went up on Friday morning, it also became evident that the Fed was draining funds from the market, pushing the rate up from 9¾ to 9⅞ per cent.

Apart from matching the continuing strong upward pressure on short-term rates, the Fed's motives appeared to be linked to the dollar. The Fed deliberately cushioned the immediate impact of the dollar package on U.S. credit markets by restraining the cost of Fed funds. But in the last 10 days there has been a growing feeling that the rescue operation needed to be bolstered with a tightening of domestic credit markets.

One Fed funds dealer commented that Friday's move might even be the first step in a two-stage operation to raise the Fed funds rate to 10 per cent by the end of this week. Both the consumer price index and the latest trade figures are due out in the next few days, and both could bring bad news for the dollar.

A tightening of the Fed funds market did not appear to be justified by the latest money supply figures which showed that M1 fell by $1.1bn to $361.3bn, and M2 rose $100m to $871bn. However, the St. Louis Fed reported that the monetary base rose $700m to $141.3bn. This figure, which includes banks' obligatory reserves and currency in circulation, reflects the extra funds pumped into the system by the Fed to offset the new reserve requirements contained in the dollar package.

With the prime now close to its 1974 record of 12 per cent, economists are sharply divided over the prospects. One of the most influential, Dr Henry Kaufman of Salomon Brothers, foresees an unfolding financial crisis with a prime rate "well above 12 per cent" and high grade corporate bond yields moving into the 10-11 per cent range. Others maintain that while there is still strong pressure on short term rates as borrowers scramble for money before rates go even higher, there is bound to be a falling off in demand as rates reach unprecedented levels.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Bondtrade; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; E. F. Hutton Services; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Banque Arabe et Internationale d'Investissement; Citicorp International Bank; Daiwa Europe NV; Dillon Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy. Closing prices on November 24

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.date	C.cpn	C.yld
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

* No information available—previous day's price. † Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. M=Minimum coupon. C.date=Date next coupon becomes effective. Spread=Margin above six-month offered rate for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

CARTER BONDS

Treasury securities decision pending

By Nicholas Colchester

THE U.S. TREASURY will be "moving towards a decision in the next few days" over the exact manner in which it will issue U.S. government foreign currency securities to the public in Switzerland and Germany, one Treasury official organising these issues said on Friday.

The official said it was "highly likely" that the central banks in Switzerland and Germany would act as agents for the issues rather than the universal banks. But the exact mechanism and the terms of the issues had yet to be decided.

He said that there was now "very little question" that Swiss franc and D-Mark securities would be issued within a matter of weeks, though not necessarily all at once. In contrast the Treasury had "not yet taken a decision" regarding the issue of yen bonds which were initially envisaged. "You can't do everything all at once," he explained, "when there are so many technical questions to be answered."

Last week the second Treasury mission to Europe to plan these issues met again with the Swiss and German central banks and held consultations with the big banks in those countries. The type of securities emerging are mainly short term, with maturities of between three and five years. There will be special precautions to see that they do not go into the hands of U.S. investors who would merely sell other dollar securities to buy them.

The official explained that the Treasury had no authority to waive U.S. withholding tax on the interest paid to foreign buyers of U.S. securities. But he understood the tax treaty between the U.S. and Germany meant that there would be no such tax on the German tranche, and tax of 5 per cent on interest paid to Switzerland. The net interest payable would have to be acceptable in the Swiss market, he explained.

President Carter announced the planned issue of foreign denominated bonds in early November as part of his package of measures to support the dollar. The original intention was to issue $10bn of bonds denominated in yen, Swiss francs and D-Marks to provide part of the additional $30bn in foreign currencies which the U.S. was mobilising to provide potential support for the dollar. These bonds would be the first ever U.S. government bonds denominated in foreign currency, available to the general public.

Businessman's Diary

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Wholesale Buyers Gift Fair (until Nov 30)	Mount Royal and Mostyn Hotels, W1
Nov 25—Dec 1	Video Trades Exhibition	Heathrow Hotel
Dec 4—8	Royal Smithfield Show and Agricultural Machinery Exhibition	Earls Court
Dec 4—5	Design Engineering Conference and Exhibition	National Exhibition Centre Birmingham
Dec 5—6	Bristol Engineering and Industrial Equipment Exhibition	Bristol Exhibition Centre
Dec 5—7	Computer Peripheral and Small Computer Systems	Olympia
Dec 5—7	UK Automatic Testing Exhibition	Royal Horticultural Halls
Dec 5—7	COMPEC '78 (Computer Peripherals)	Olympia
Dec 5—8	Export Services Exhibition	National Exhn Centre Birmingham
Dec 5—8	Container Technology Conference and Cargo Systems Exhibition	Metropole Centre, Brighton
Dec 9—17	Performance Car Show	Alexandra Palace N22
Dec 12—14	Exhibition and Display System Fair—MODULEX	West Centre Hotel, SW6

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	International Exhibition of Inventions and New Techniques (until Dec 3)	Geneva
Current	Music Exhibition (until Dec 3)	Brussels
Current	Middle East Building Materials and Construction Machinery Exhibition (until Nov 30)	Bahrain
Nov 27—Dec 2	Raw Materials Fair—RAVARMESSE	Copenhagen
Nov 29—Dec 10	International Trade Fair	Dakar
Nov 30—Dec 4	Swiss Furniture trade fair	Basle
Dec 1—10	International Woodworking Exhibition	Brussels
Dec 5—8	Combustion and Heat Treatment Equipment Exhibition	Tokyo
Dec 5—9	International Environment Exhibition	Paris

BUSINESS AND MANAGEMENT CONFERENCES

Current	Bradford University Industrial Marketing (until Dec 1)	Heaton Mount, Bradford
Current	CMTC Self-Financing Productivity Schemes (until Nov 28)	Regent Hotel Leamington Spa
Current	IPM Selecting the Right Candidate (until Dec 1)	Whites Hotel, Lancaster Gate, W2
Nov 28	NIMBA "Richer from Rags"—the recovery and reuse of textile wastes	Regent Centre Hotel, W1
Nov 28	ACE International Managing your Time	Park Court Hotel, W2
Nov 28	BOTB Financing your Exports	International London Press Centre, EC4
Nov 28	CALLS Standard Method of Measurement	Royal Station Hotel, York
Nov 28—29	BACIE/ITO Training for Skills	Europa Hotel, W1
Nov 28—29	BIM Implementing Added Value Schemes	Royal Station Hotel, York
Nov 28—29	CCC Choosing and Using a Subcontractor in Construction Projects	Inn on the Park, W1
Nov 28—29	Strategic Management Learning Creativity and Innovation Workshop	The Selfridge Hotel, W1
Nov 28—29	ASM Managing and Controlling Subcontractors	Piccadilly Hotel, W1
Nov 28—29	FT Conference World Banking in 1979	Zurich
Nov 29	Marketing Society Economic Growth—The Marketing Challenge	Royal Lancaster Hotel, W2
Nov 29	McGraw Hill Corporate Fraud for Auditors and Accountants	Royal Garden Hotel, W8
Nov 29	CCC Competition Law in the EEC	Hotel Inter-continental, W1
Nov 29	FDIC Marketing Society Annual Conference	Royal Lancaster Hotel, W1
Nov 29	Economic Models Ltd Engineering Industries Forecasts conference	73 Old Queen Street, SW1
Nov 30	AGB Essentials of Employment Law	London International Press Centre, EC4
Nov 30	Charterhouse Japhet Conference on "Your Private Company—Maximising Wealth Creation for You and Your Family"	Royal Lancaster Hotel, W2
Nov 30	ELEC A seminar to discuss the setting up of the proposed European Foundation	Quaglino's, SW1
Nov 30	LCCI UK Economic Prospects in 1979	69 Cannon Street, EC4
Dec 1	Engineers Digest ETC Data Logging and Microprocessors	Central London Polytechnic W1
Dec 3—5	University of Bradford Industrial Relations Negotiation	Heaton Mount, Bradford
Dec 4—5	AMR/Euromoney Critical Legal Issues in the Euromarkets	London International Press Centre, EC4
Dec 4—6	CES Energy and Southeast Asia Conference	Singapore
Dec 4—8	Kepner Tregoe Decision Making for Senior Management	Manor House Hotel, Moreton in Marsh
Dec 5	BTA/ETB Tourism Growth and London Accommodation	Cavendish Conference Centre W1
Dec 5	IPS Counter Purchase...Why?	Grosvenor House Hotel, W1
Dec 5	CMTC Safety Representatives and Safety Committees Regulations	Avonside Hotel, Kenilworth
Dec 5	BSI Electrical Equipment Conference	Wembley Conference Centre

This week's business in Parliament

TODAY

COMMONS—Debate on oil spillage. Opposed private business.

TOMORROW

COMMONS—House of Commons (Redistribution of Seats) Bill, second reading. Motion on Employment Protection (Variation of Limits) Order and Unfair Dismissal (Increase of Compensation Limit) Order.

LORDS—National Land Fund Bill, second reading. Report of EEC Committee on Misleading Advertising. Short debate on proposed European Monetary System.

WEDNESDAY

COMMONS—Debate on proposed European Monetary System.

LORDS—Report of the Select Committee on a Bill of Rights.

THURSDAY

COMMONS—Merchant Shipping Bill, second reading. Motion on House of Commons Members' Fund. Qualifications of Directors of Social Work (Scotland) Regulations.

LORDS—Forestry Bill, committee stage. Order on referendum on Welsh devolution. Public Health Laboratory Service Bill, second reading. Short debate on increase in atmospheric carbon dioxide and apparent change in global weather patterns.

SELECT COMMITTEES

Race Relations and Immigration. Subject: Effects of UK membership of EEC on race relations and immigration. Witnesses: Mr David Lane and Commission for Racial Equality officials. 4 pm. Room 6.

FRIDAY

COMMONS — Private Members' motions.

Council house sales attack

LARGE SCALE SALE of council houses is having "crippling effects" on other housing policies, according to Shelter, the housing advisory and pressure group.

Roof, Shelter's magazine, says council-house sales in 1978 are likely to be the third highest total at about 18,000 homes. The sales are "not evenly spread" and the "damaging effects" are concentrated on particular groups of householders.

Sales, and tenders to keep homes empty pending sale, bring council waiting lists to a virtual standstill.

City speech

MR JOHN SMITH, the new Trade Secretary, is to speak at a lunch given by the London Chamber of Commerce and Industry at the Ironmongers' Hall, London Bridge, EC1, on December 12. It will be one of Mr Smith's first opportunities as a Minister to outline his ideas on the future of British business.

● NEWS ANALYSIS—IRELAND AND EMS

Splitting a stable monetary area for the sake of unity

BY DAVID FREUD

THE PROSPECT of the British pound and Irish punt going their separate ways presents a big question to banks, insurance companies, brokers and most other financial institutions in the two countries.

The two economies have been linked indissolubly for centuries. The link survived intact when the republic won its independence nearly 60 years ago.

One Irish punt is worth one British pound and there is no exchange control across the Irish Sea. Markets in money, securities and gilts are to all intents and purposes identical in London and Dublin. Coins and notes are interchangeable in the republic and Ulster.

The link would be broken inevitably should the republic announce membership of the proposed European Monetary System at the Brussels summit meeting next week and the UK omit to join the system.

With the British pound floating, in however "controlled" a fashion, and the punt tied to the Continental currencies, a divergence in the present one-to-one parity would be possible at any time. Exchange rates between the two currencies would therefore have to be introduced.

Once exchange rates fluctuate, speculation is possible, with large flows of cash into the currency expected to appreciate. This exchange controls to prevent such flows will be required. These controls are likely sooner rather than later to inhibit speculation before any formal announcement.

Officials in both countries are considering schemes to introduce exchange controls, and the arrangements were probably a subject of discussion when Mr. Denis Healey, the Chancellor, met Mr. George Colley, his Irish counterpart, a fortnight ago.

Exchange controls should present no fundamental difficulties for any new business transacted between the two countries. A Briton intending to invest in Ireland would be required simply to go through the same procedure as if he were investing in West Germany or France.

Sterling area

However, obstacles emerge in relation to the large volume of business in existence. By their nature, there will probably be extensive exemption from the full rigours of exchange control, at least for a period.

That would accord with what happened in 1972 when the extended sterling area, including such countries as Australia and New Zealand, was abolished. Refinancing of sterling borrowing was permitted for the next four years.

Perhaps the most basic decision that the two Governments will have to take is on designating which pounds in the banking systems of the two countries are Irish and which are British.

There are three choices. Designation might be based on the currency in which the deposit was originally made, the country in which the bank branch is, or on the residence of the depositor.

The first can probably be ruled out because no distinction was drawn between the currencies when deposits were made.

Until the authorities announce their decision on that the banks in both countries are limited in preparing for the change.

However, banks with extensive cross-border business are warning their branches to stand by. The two UK clearers most involved are the National Westminster, with its Ulster Bank subsidiary, and the Midland, with the Northern Bank.

Arrangements are being made for Irish banks to close for two days to allow all items in transit to be exchanged at par. After that, cheques across the border would be treated as foreign bills.

The Irish banks have agreed to give the UK banks a week to clear at par paid remittances in the branch network.

One of the main concerns for the 1m or so Irish in the UK is their standing orders to Irish institutions. They will become foreign payments and subject to a £2 minimum charge, where the sums involved may be quite modest, as in insurance premiums.

Banks and insurance houses will have to locate all their customers so affected—no easy task—and advise them of the new position.

Securities

Another change affects the Bankers' Automated Clearing Services, based in Edgware, North London. All bank giro credits to the republic would have to be inhibited.

Another area in which the authorities will have to lay down a firm ruling concerns securities and the application of the investment premium. They will have to decide whether to allow benefit of the premium on repatriated investment, where the premium was not paid in the first case.

No premium has been payable up to now on investments in Ireland.

With more than £600m of Irish funds estimated to be invested in securities and property in Britain and about £500m in the reverse direction, a decision in that area carries important consequences.

The list of practical difficulties is almost endless. One can only sympathise with the Irish banker who said: "It seems strange that in the interests of economic unity we should split up the only area in the community where that unity already exists."

APPOINTMENTS

New managing director for Mullard

Mr Jack Akerman has been appointed a director of Philips Electronic and Associated Industries from January 1. He is succeeded as managing director of MULLARD by Dr. John Westhead, who joins the company from Pye TMC, of which he was managing director. Previously he was managing director and subsequently chairman of Pye Telecommunications. Dr. Westhead is vice-president of the Telecommunications Engineering and Manufacturing Association.

✦

Mr Keith Pelms has been appointed marketing director of ROYAL DOULTON TABLEWARE (HOLDINGS) in succession to Mr. John Bellak, who was appointed deputy managing director earlier this year. Mr Pelms, who for the past two years has been marketing director of Pirelli Wires and Cables, had 14 years' previous experience in senior marketing and general management with various overseas companies in the Dunlop Group.

✦

Mr M. D. Dawson has been appointed sales director of WILLIAM JONES (CHEMICAL ENGINEERS).

✦

WELSH MEAT HOLDINGS has been formed to acquire the entire share capital of the Lampeter Meat Company and Corwen Meat MarCompany. Both these companies are involved in the construction of EEC approved abattoirs and meat processing plants in Wales. The chairman of the new company is Sir John Newson-Smith and the deputy chairman is Lord Swansea. The remaining directors are Mr. Colin Forsyth, Mr. Bill Newton-Clare and Mr Mark Lakin.

✦

Argus Press Holdings has declared that the bid for TRIDANT GROUP PRINTERS has become unconditional, and the following changes are announced. Mr R. Diore has relinquished his position as chairman of Tridant Group Printers and remains a director. Mr. H. L. Harris has resigned as a director. Mr. N. E. Richards, a director of Argus, has been appointed a director of Tridant and chairman of the Board. Mr. T. Gold Blyth and Mr. A. T. Patten, both directors of Argus, have been appointed directors of Tridant. Mr. M. Paton has been appointed managing director of C. J. Mason and Sons and Clarke Doble and Brendon to succeed Mr. G. F. Cleaver who has relinquished these posts. Mr. Cleaver will continue as divisional director of the companies in the commercial printing division.

✦

HATFIELD INSTRUMENTS, Plymouth, maker of telecommunications test equipment and components, has appointed Mr. Victor Parsons as managing director and Mr. Alastair Sharp as chief engineer. Before joining Hatfields, Mr Parsons was, for some years, a director of Crosfield Electronics and managing director of Crosfield Business Machines.

✦

Mr. P. D. P. Kemp has been appointed chairman of the Southampton company VERO PRECISION ENGINEERING and its subsidiary, Vero N. C. Developments.

✦

Mr. Alec McNichol (regional director for the North East), Miss Florence Price (regional director for the Midlands), and Mr. Kenneth Tomlinson (regional director for the North West) have been appointed to the CoSIRA (Council for Small Industries in Rural Areas) Board.

✦

Mr. J. D. Salmon, currently technical director of the Crosfield Electronics division of the De La Rue Company, has been appointed managing director of the DE LA RUE CROSFIELD division in succession to Mr. K. A. Wolfe who is leaving to take up another appointment overseas.

✦

Mr. R. Freeman has been appointed regional manager of NATIONAL WESTMINSTER BANK'S London regional trustee and income tax department. Previously manager of Bishopsgate trustee and income tax office, he succeeds Mr. D. Wells on his retirement.

✦

Mr. Archibald H. Brown is BRITISH RAIL'S new area manager at Aberdeen.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

[illegible]

FINANCIAL TIMES SURVEY

Monday November 27 1978

Machine Tools

Although some sectors of Britain's machine tool industry have seen a modest recovery in the last 18 months, the prospects for next spring are not so good. If order books plunge back to the level of the recession, many machine tool companies will be under severe pressure.

Industry is still far from robust

By Hazel Duffy

THE MACHINE tool industry approaches 1979 in a healthier state than it has been in for the past few years—yet it is still far from robust.

Recovery from the long recession began towards the end of 1976. But it has been patchy, and for some sectors of the industry it has been hardly detectable.

Output during the first half of 1978 totalled £244m, and is expected to rise to around £480m for the full year. This compares with £403m in 1977, and £352m in 1976. Considering that machine tool prices have been increasing at above 10 per cent, it can be seen that in real terms the scale of the recovery has been modest.

The industry realised early in the recovery that it was not going to reach the boom level of 1973-74—a fact that was not necessarily regretted when the pressures on cash flow and the shortage of skilled labour problems were still fresh in the mind.

The latest economic forecasts, and the higher cost of borrowing money, have tended to confirm the industry's own forecasts that the upward trend of the past 18 months would in any case come to a halt in the spring of next year.

What happens then will be of critical importance to the industry. If order books plunged back to the levels of the recession, many companies would be under severe pressure.

Imports

But the general expectation is that the level of activity will plateau out at around that forecast for next spring. At this point, the industry would like to think that it has seen the back of the violent peaks and troughs of the past which have been so difficult to live with—certainly the indications are for a flatter demand cycle in the future.

Considering that 1973/74 gave renewed impetus to import penetration, this flatter trend would be welcomed if the downturn was not too severe.

The tendency for imports to continue coming in, even during a period of recession, poses a long-term threat to the machine tool industry.

Imports took about 46 per cent of the home market last year—in 1976, they reached 50 per cent. The industry is proud of the fact that in only two or three years have imports exceeded exports—the pattern for a positive balance in machine tools has been maintained in the past few years.

Last year, exports totalled £184.9m against imports of £144.4m. In the first six months of this year, the industry exported machine tools valued at £109.9m, but imports were edging up to £92.2m.

Despite this positive balance, Britain's share of world markets has declined from nearly 8 per cent in 1971 to 5½ per cent. The machine tool industry is highly international, with substantial trade between the industrialised countries.

Germany, the biggest producer in the world, tops both the export and import lists for Britain, followed by America and Switzerland. Between them, these three countries were responsible for half the machine tool imports last year.

Newer competitors, however, are creeping into the picture. Spain, South Korea, Taiwan and Brazil are some of the more important competitors.

Nor is it only in more standard machine tools that these countries are competing. Several of the computer-controlled machine tools on show at a recent production engineering exhibition in London, for example, came from Spain, which is coming up strongly in more sophisticated products.

Japan is not the threat in machine tools that it is in the mass volume consumer industries. But its strongly expanding home market has been helping it to enter export markets with more vigour recently. Japan is particularly competitive on price, and some experts believe that its lead in electronics knowhow will enable it to forge new markets in computer-controlled machine tools—it has already made significant inroads in numerically controlled lathes, for example.

Numerically-controlled machine tools account for only about 1.5 per cent of machine tools installed by British industry (against 5 per cent in competitor countries). That tiny proportion represents annual growth over the past few years of around 9 per cent, much higher than for most other types of tools.

But it is still not enough for the health of the industry, according to Mr. Bill Vaughan, president of the Machine Tool Trades Association, who said recently that unless something is done to boost industry's rate of investment in machine tools—"there is a grave danger of the hardening of our industrial arteries and a decline in our manufacturing capability."

He also mentioned numerically-controlled machine tools as an example of where there could be "a heavy shot in the arm."

The machine tool industry itself has also suffered over the years from under-investment. This is being rectified to some extent by the Government aid scheme which pumped £30m into the industry, generating new investment of around £200m.

The aim of the investment programme is to improve production processes and to encourage manufacturers to incorporate a higher level of technology in their products. Various studies, including work done by the NEDO Economic Development Committee for machine tools, have stressed the need for the industry to put more emphasis on technology.

The need for greater liaison between manufacturer and customer in product development has led the EDC to initiate discussions between the Machine Tool Trades Research Association and big customer industries.

There is also scope for more co-operation between the industry and customers in developing export markets — both of these areas are ideal material for the industrial strategy programme, and it will be interesting to see whether anything concrete emerges from these programmes.

Away from the more sophisticated products, some companies continue to be consistently successful with their standard machine tools. For most such companies (Alfred Herbert being the obvious exception), 1978 has been a reasonably good year.

Competition

Price is obviously an important factor in the standard ranges. After suffering severe price competition during the recession, the gradual recovery in demand has allowed companies to go for price increases over the past year, so that the industry moves into 1979 expecting the full benefits of these increases to show through into profits.

Employment has fluctuated over the past year, increasing earlier in the year, but tending to fall off more recently. The redundancies at Alfred Herbert will be particularly significant as they amount to sizeable numbers in an industry of quite small companies.

The main labour shake-out in the industry, however, came in the early seventies, so that even during the long recession which followed 1973-74, companies were reluctant to cut back on their workforces.

The machine tools industry has one of the highest concentrations of skilled labour in the engineering sector, and many companies which found themselves with severe labour shortages during the boom have decided it is better to keep labour on. But pay policies having substantially eroded differentials means that shortages persist, and this is one reason that the industry is not unduly dismayed that demand has not returned to a high level.

If the economy can be managed in such a way that the peaks and troughs are flatter than in past cycles, this would be to the benefit of the industry. To a large extent, this lies with factors outside its control. Efforts within the industry to moderate the effects of the demand cycle have included stockpiling schemes, but they have met with limited success largely because only a few products lend themselves to this treatment. The industry's largest single customer remains the motor industry, and much of its future will depend on the fate of that industry.

In many respects, however, the machine tool industry is in better shape than it has been for some time. Having slimmed down in the early seventies—something which many European manufacturers are only now just doing—and embarked on a fairly substantial investment programme, it is probably stronger than it has been for a decade.

Yet it would be rash to assume that the industry as now constituted forms a solid base for continued viability. The rising trend in imports cannot be dismissed solely as the result of inevitable international specialisation.

Too often it seems that the areas where Britain's machine tool industry is most competitive are those where world markets offer least growth.

At a time when the newer industrialised countries are looking for export markets, and targets on imports, exports and productivity confidently set a year ago have had to be modified, the industry must keep its performance continuously under review.

European companies still waiting for better days

WESTERN EUROPE contains five out of the top ten machine tool producing countries, with West Germany at the head of the list. In 1977 its machine tool production was worth the equivalent of U.S.$2,620m, which put it ahead even of the U.S. with its output of $2,350m.

The European manufacturers have therefore suffered severely from the failure of industrialised countries' economies to make any significant progress in recent years. After all, they make the machines which nearly every other industry requires. But industrial investment is still at a pretty low ebb in all the developed countries.

Stagnation

And it is a long time since the European machine tool industry had its last boom. That was in 1970. And it was followed by a long period of stagnation until in 1974—triggered by the oil crisis—practically every market in the world showed a drop in demand. The climb back since then has been slow and painful.

To some extent the UK machine tool industry has weathered the storm and survived the recession in better shape than its European competitors.

The European Committee for Co-operation of the Machine Tool Industries (CECIMO), which takes in 13 countries, completed a survey earlier this year which showed that between 1973 and the end of 1977 employment in the British industry fell by 4 per cent to around 50,400.

In comparison, the West German machine tool manufacturers cut their workforces by 13 per cent to roughly 97,000 while in France the cutback was one of 20 per cent to 21,500. However, it must be remembered that the big drop in employment in the UK industry came with the 1971 recession when other countries were less badly affected.

The problem with the current recession as far as West Germany is concerned is that it has gone on so long and been exacerbated by the high value of the Deutsche Mark compared with other currencies. West Germany is by far the largest exporter of machine tools in value terms—exports were worth $943m last year against the $650m exported from the United States—and it relies heavily on high technology to sell its products. But price does matter, even if it is not exactly at the top of the customer's list of priorities.

In the past the West German accounting practice which allows manufacturing companies to build up a decent layer of financial fat to see them through the lean periods of the demand cycle has helped the machine tool makers survive previous recessions without too many problems.

Couple this with the immense flexibility of the German industry, made up as it is in the main of medium-sized family companies able to make swift decisions and act on them immediately, and it is not difficult to understand why some of its European neighbours have seen West Germany as the major threat to their home-grown manufacturers.

About 400 companies make up the West German industry with perhaps 15 of them large by machine tool business standards—that is employing over 1,000 people.

The recession has forced some of these traditionally independent organisations to seek shelter in the arms of a friendly bank or a merger with another German group. And some well-known names, such as Ludwigsburger of Stuttgart, have simply gone out of business.

Like the Germans, the Swiss machine tool makers cannot expect any overt Government help and suffer from an over-valued currency. Experience among the manufacturers has been patchy but the average order backlog — a useful indicator of activity—which stood at 5.8 months at the end of 1976 increased to 6.5 months at the end of 1977. This enabled capacity utilisation to move up to between 80 and 90 per cent. Most companies have not been expecting any major change in their situation during 1978.

Compared with this the French are in deeper trouble. Last year the machine tool makers in that country were working at an average of 71 per cent of capacity and losses were widespread among the 350 or so concerns which make up the industry.

The French Government, like that of the UK, has no compunction about giving a helping hand to its machine tool makers in times of distress. After all, the machine tool industry is considered a key sector in any manufacturing country.

The latest move by the French Government to shore up its industry came in the autumn this year with an injection of cash equivalent to $17.2m for Ratier-Forest, a beleaguered concern which had been struggling for months with redundancies and factory occupations. The bulk of the cash is for Ratier-Forest's machine tool operations and some for its aerospace-linked activities.

At the same time pressure was applied again to Renault to consider some sort of link between its machine tool business—France's biggest and also a loss-maker—and that of Ratier-Forest. But Renault, although State-controlled, has been showing extreme reluctance to get more deeply involved in the machine tool sector.

With an output last year equivalent to around $86m, Renault's machine tool division is a comparative giant in the industry. But it lagged behind that of another European car maker, Fiat of Italy, which has a machine tool and production systems division with a 1977 turnover of about $180m. (Compare this with the $103m of sales by the machine tool division of Britain's biggest business in the sector, the 600 Group.)

There is no doubt that Fiat was subjected to some government prodding to form a major grouping from some of the 450 smallish companies which make up Italy's industry. Today Comau Industriale, as Fiat calls its machine tool division, takes in its own in-house operations and those of acquired companies such as MST, Colubria, Lamsal, IMP and Morando and the specialist activities of the Berto Lamet, IMPES and UTS companies.

And five years ago another major machine tool group was formed in Italy with government help. The troubled Sanea-stacchio company was merged with Innocenti, one of the profitable parts of the State-owned IRI-Finsider group. About one-third of Innse's turnover is accounted for by machine tools and presses and output of these operations is probably in the region of $60m a year.

At the most recent get-together of CECIMO in October the general mood was not too black. Although it seems unlikely that the spring estimate that machine tool orders for European countries would advance by around 7 per cent this year will be fully achieved, most of the manufacturers were surviving by virtue of a pick-up in domestic demand.

All of them complained that exporting was getting tougher, however, except perhaps to the UK in Europe and in particular to the U.S., where the re-equipment programmes of the motor and aerospace industries has sent machine tool demand soaring to unprecedented heights.

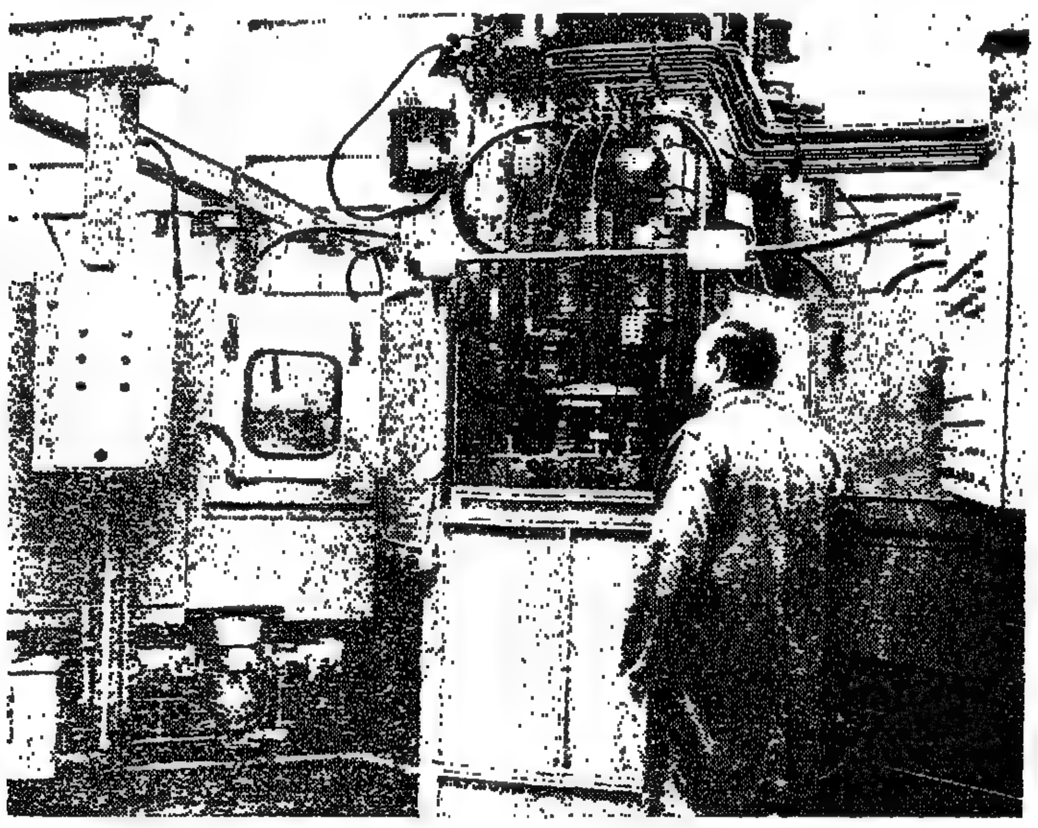
Kenneth Gooding

ESTIMATED WORLD MACHINE TOOL PRODUCTION AND TRADE FOR 1977

(Top 12—values in US$m)

Country	Production: Total	Production: Cutting	Production: Forming	Trade: Export	Trade: Import
1 Germany (FGR)	2,619.7	1,676.7	943.0	1,911.8	289.2
2 U.S.	2,350.0	1,700.0	650.0	446.9	400.3
3 Soviet Union*	2,300.0	1,775.0	525.0	†265.0	500.0
4 Japan	1,564.9	1,192.3	372.6	566.4	89.4
5 Italy	850.3	634.9	215.4	408.1	181.4
6 Germany (GDR)*	703.6	565.5	138.1	†535.0	†205.0
7 UK	701.4	526.1	175.3	324.4	245.5
8 France	580.2	407.2	173.0	248.4	285.0
9 Switzerland	559.3	475.4	83.9	474.8	73.3
10 Poland*	555.3	495.3	60.0	153.0	516.0
11 China*	†355.0	†265.0	†90.0	†10.0	†50.0
12 Czechoslovakia*	308.1	248.8	59.3	197.1	114.9
World Total	15,045.8	11,047.4	3,998.4	6,321.7	4,512.2

Notes: * Controlled currency at official conversion rate, real equivalent hard to determine. † Rough estimate from fragmentary data.
Source: American Machinist, February, 1978.



This rotary transfer machine mills, drills, taps and bores hydraulic pump bodies at the rate of 39 bodies an hour. The machine is one of 14 in a complete production line supplied by Thomas Ryder and Son, Bolton, to the URSUS tractor factory in Poland

Upward surge in UK exports

BRITISH TRADE in machine tools in the first six months of this year has increased substantially, but the familiar problems associated with a simultaneous, if limited, upturn in demand both at home and abroad have already begun to appear.

The UK machine tool industry, like other sectors, has been urged on the one hand to implement policies which will speed up import substitution, but on the other is obviously anxious to avoid losing its foothold in hard-won export markets.

Some companies therefore face an unenviable dilemma when customers at home and abroad are seeking their products. Few companies, however, would wish to forego the opportunity to supply the booming U.S. market which in the first six months of this year took machine tools worth £17.5m from Britain.

Retooling

This demand is expected to increase substantially due to the massive retooling taking place in the American motor industry as car companies prepare to meet the deadlines for less fuel hungry models. Considerable buying for this purpose has already taken place but much more is to come and the U.S. machine tool industry will be unable to meet all the requirements.

Rapidly growing orders by the world's airlines for the new generation of quieter, fuel efficient aircraft is also likely to have a substantial impact on the world machine tool market, again particularly in the United States where Boeing's new series of airliners is now due to move into the production stage. The promising future of Airbus Industrie's A300 airliner and its smaller B10 derivative are likely to boost demand in the European aerospace industry.

While all the indications are that world demand will continue on its upward path, economic forecasts for Britain are enough to persuade machine tool companies that their future is perhaps more secure abroad, but two other basic factors continue to make import substitution difficult. First, the speed of economic change often means that companies cannot supply machines in time, nor can they always provide the type required.

However, the industry has maintained a consistent surplus of exports over imports in recent years, varying from £7.7m in 1974 to £49m in 1975. In the 10 years up to 1977 it accumulated a total surplus of £300m.

In the first six months of this year exports of new and used machine tools amounted to £109m (compared with £185m for the whole of last year), while imports were valued at £92.2m (compared with £144m for 1977). While the total trade figure for this year is therefore likely to be well up on 1977, on present form there is no likelihood of great improvement in the trade balance.

And, as in other British industries, there is increasing concern that machine tool manufacturers are too reliant upon standard technology machines in export markets and will face tough competition from the advanced developing countries while having to rely on imports of high technology equipment. The value of exports per tonne last year averaged £3,500, while imported machine tools averaged £4,100 a tonne, graphically illustrating the point.

The £30m government aid scheme to the industry is directed in some measure at overcoming this problem in that it is designed to encourage new product development. It offered grants towards the cost of producing a new machine tool from design stage to marketing.

The scheme is also aimed at stemming the increasing number of gaps which have been appearing in the range of machine tools offered by British manufacturers, which have almost certainly led to a growth in imports and effectively prevented import substitution.

This form of Government aid, which has now been almost fully allocated, is generally regarded as being helpful to the industry, but it is clear that more drastic measures will be needed to meet the tough objectives for 1980-82 which have been proposed by the National Economic Development Office's machine tools EDC. These are to export 60 per cent of production, which on the basis of deliveries last year worth nearly £400m would mean an increase of around £55m in the value of exports.

Objective

The second objective is to maintain the industry's present share of the British market, which last year was 46 per cent compared with 50 per cent in 1976 and 47 per cent the previous year. Thirdly the EDC would like to see productivity raised to the average for UK manufacturing.

In a recent speech, Mr Bill Vaughan, president of the Machine Tool Trade Association, took an optimistic view of the industry's prospects and ability to meet a challenge of this kind, pointing out that investment has been rising and the prospects abroad continued to be good.

"There are now better opportunities than ever before in respect of overseas projects. We are establishing a basis where we go in with the major British licencee, as for example the Rolls-Royce Spey project with China," he said.

However, he added that more than £400m worth of new machine tool projects in Britain had been hit by unofficial action by workers. "How different it is in the U.S. at the moment, with large projects under way across the whole automotive and aerospace industries, giving boom conditions to the American machine tool industry."

Countries which are seen as promising markets for British machine tools include South Korea where, as in other countries, a decision has been taken to act on a consortium basis. Mexico is also seen as an important potential customer and the industry has made its presence felt there, particularly at the recent U.K. industrial exhibition.

The European Community remains by far the largest market for British manufacturers, but competition from domestic countries and, increasingly, Eastern European nations is particularly strong. After the United States, West Germany (itself the world largest exporter of machine tools) was Britain's largest market last year, when goods worth [illegible] were sold. Poland and Iran followed with purchases from the UK around £10m each.

West Germany, on the other hand, was by far the biggest supplier of machine tools to Britain last year, with the volume (valued at £46.5m) far outstripping sales the other way. The U.S. and Switzerland each supplied tools valued at around £15m, followed by France with £7.3m and Japan with £6.5m.

The relatively high British export figure for Poland reflects the volume of buying for the Ursus tractor plant near Warsaw, which has been revitalised with the help of Massey-Ferguson-Perkins. UK machine tool companies are estimated to have benefited to the tune of £10m in orders in connection with the project.

About 60 per cent of the plant's very considerable machine tool requirements were met by Cross International, Alfred Herbert, Kearney and Trecker, Marwin and Matrix Churchill.

With the home market still patchy, and prospects for the early part of next year no more than reasonably good, the machine tool industry's recently-introduced changes in its export promotion policy will have to be used to the full if substantial increases in exports are to be achieved.

While it is clear that some British-made machine tools are not as modern in design as those of foreign competitors, there are many examples of companies investing in highly competitive products. The recent comparative strength of sterling has not helped activities in North America, but the prospects in high value currency countries such as West Germany and Japan are much improved.

Lorne Barling

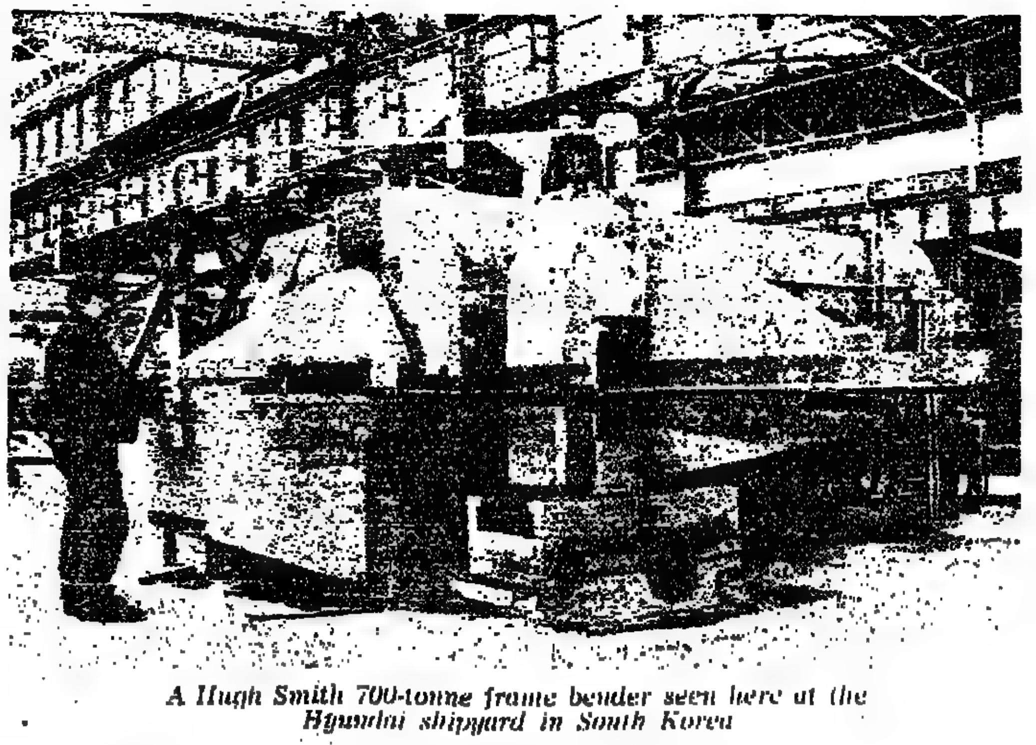
Few structural changes

A YEAR of mixed fortunes for Britain's machine tool industry has resulted in relatively little outward change in the industry's structure.

But within the industry some companies have found that the improvement in demand has enabled them to capitalise on their strengths, while others have experienced difficulties in getting sufficient orders.

The industry is notable for the large number of smaller companies, or divisions of larger companies, which nevertheless maintain much of their individuality.

After the major rationalisation efforts to the late 'sixties and early 'seventies, there have been few mergers of note even in the long recession to which the industry had to adjust.



A Hugh Smith 700-tonne frame bender seen here at the Hyundai shipyard in South Korea

Recession

One recent exception to this picture was the acquisition by B. Elliott, of the Newall Group, in July, 1977—a move which was prompted by financial pressures on Newall arising from the long recession. A more "accidental" merger as far as the UK is concerned was the one between the two big American machine tool manufacturers, Giddings and Lewis, and Motch and Merryweather. This has created a unit from their two British subsidiaries which has a turnover in the range of £4m annually.

The most publicised victim of the still patchy recovery in capital goods is *Alfred Herbert*. Under the guidance of the *National Enterprise Board*, and as a result of some slimming-down, it had seemed that this long-ailing company was being successfully nursed back to recovery.

Then it was revealed, earlier this year, that the group's slow climb back to profitability had been reversed sharply, and a loss of £2.2m before tax was announced for the first six months of 1978 following a profit of £436,000 in the first half of 1977. Herbert's management has said that the problem lies with the Edgwick plant, where substantial redundancies are due to take place.

Of more short-term significance was the fact that Herbert had decided to stockpile machine tools during the recession in anticipation of a sharp upturn. The pattern of recovery turned out to be much less urgent than had been expected, and much of the stockpile had remained unsold.

Herbert's continuing failure to respond to all the various forms of treatment prescribed for it has had an effect on the rest of the industry, particularly in export markets where the name of Alfred Herbert was once synonymous with the industry as a whole. It is an effect which is lessening now, but the industry as a whole will be thankful to see Herbert restored to the position of a healthier competitor.

Some other companies have also encountered problems over the past year, although not to the same extent as Herbert.

The machine division at Tube Investments includes Matrix and Charles Churchill among its best-known subsidiaries. While TI Churchill has been reporting buoyant results, Matrix's Coventry plant had to lay people off earlier this year, mainly as a result of particularly tough competition in grinding machines. There have also been management changes which are expected to lead to some re-organisation of the production base at Coventry.

Demand

John Brown's machine tool division is one of the biggest in the country. It consists of the Wickman company plus its subsidiaries. Despite the recovery in machine tool demand, profits of the division reported in John Brown's latest published accounts fell from £2.6m to £2.3m.

Part of the problem is that Wickman's main product is multi-spindle automatics, used for high volume production, for which demand has not yet picked up. The division is in the middle of a sizeable investment programme but at the moment it is lagging well behind the return being made by other divisions in this big engineering group, and some re-organisation is in progress.

American-owned companies are responsible for between 30 and 40 per cent of Britain's machine tool production. The biggest such company is Cincinnati Milacron, which has been operating in this country since 1934.

Cincinnati produces about a quarter of the UK's output of numerically-controlled machine tools, and about a third of these are exported. The company is one of many which has experienced only a slight improvement in demand over the past year, and has found price competition from European manufacturers particularly tough.

Other smaller British companies with American parents include the Merseyside-based Cross International, Giddings and Lewis-Fraser, which recently reported slightly reduced profits of £180,000 for the first half of 1978, and Cone-Blanchard, which is owned by Motch and Merryweather.

These latter two companies are now under the same ownership as a result of their American parents merging, but this is not expected to result in significant changes here.

Adcock-Shipley is also now American-owned, being part of the Textron conglomerate. The group has ambitious expansion plans for its subsidiary, and a big investment programme, partly financed under the Government's aid scheme, is planned.

Kearney and Trecker Marwin, a company engaged in the high technology end of machine tools, has had a chequered history, but looks as though it is now beginning to come right.

KTM was a merger of two high technology companies, but its enthusiasts overlooked the fact that this type of activity needs substantial financial backing and the group was quickly in trouble. It was rescued by the Government, which was anxious to keep a presence in this area, and in 1976 became a subsidiary of the Vickers engineering group.

KTM's last reported profit was a record at just over £1m for 1977, and hopes are high that it will maintain this turnround.

At the other end of the scale as regards the type of product (but very much in the forefront as regards success), is A. A. Jones and Shipman. Its latest reported profit was £1.1m for the first half of 1978, a 35 per cent increase on the same period of 1977. This Leicester-based company's success lies with its universal grinding machine, which it sells worldwide, and for which demand is now buoyant.

Staveley Industries' machine tool division, which includes Asquith, Drummond, Kearns-Richard and Staveley Lapointe, has been proving that mergers can be successful in the long term. Its performance over the past couple of years has improved considerably after the earlier problems it had encountered.

The 600 Group claims to be Britain's largest machine tool manufacturer, and has been very successful with its standard tool ranges like that produced by Colchester Lathe. Like Jones and Shipman, this is the sort of success story which belies all the studies that Britain should move up-market in machine tools.

The 600 Group division as a whole, which includes several subsidiary companies, reported profits well ahead at £8.9m for the year ended March 31, and is now one of the most buoyant in the industry. It is also in the midst of a substantial investment programme.

B. Elliott is another successful group, although it has had its troubled times in the past. Over the last year, it has absorbed the Newall Group (acquired in July, 1977) into its machine tool manufacturing division.

The acquisition has strengthened the expertise in more sophisticated machine tools which B. Elliott has in its Butler subsidiary. An important contributor to the group's current profitability (£5.6m on a turnover of £74.3m) comes from merchanting, which comprises Gate, Elgar and P.M.T.

The merchanting activities of some of Britain's machine tool manufacturers, which can be good for company profits but are less so for employment and the balance of payments, have come under criticism from the trade unions in the past year, particularly in areas where there have been some redundancies.

Imports

But in the industry as a whole, importing is seen as the inevitable result of international specialisation in this industry. Those companies which are active in merchanting, such as B. Elliott, also find that the contribution acts as useful strengthening in the face of the financial needs of the manufacturing side.

The demand cycle has proved quite different from those in the past. Recovery has been patchy, with a few companies doing well, a lot more finding that they are moving along satisfactorily, but with some still having to search hard for orders.

Furthermore, there is no obvious pattern to the recovery, so that some companies making a particular range are healthy enough while others in pretty well the same products have not been able to recover their markets.

The coming year will show whether this shifting in market strengths will be consolidated, and it could be a testing time for those firms that have so far found the going more tough than most.

Hazel Duffy

Rotary transfer machine tool built by Mechanised Assembly of Worcester, which produces record player pick-up arms from aluminium tubing once every four seconds

Problem of ups and downs in investment cycle

THE TRADITIONAL problem of the machine tool industry is its vulnerability to the ups and downs of the investment cycle.

Seldom has this been clearer than in the latest recession which proved to be more prolonged and certainly much deeper than expected. Even Government efforts to assist the sector through the creation of a stockbuilding scheme had little impact.

A key role in the project was given to the National Enterprise Board which announced in March, 1976, that it would be willing to consider applications from individual companies for loans to finance the building of machine tools for stock. The money was offered on "commercial terms" and the Board made clear that applications would be dealt with "on their merits."

In the first nine months, only four companies had concluded agreements, involving the Board in a total commitment of £3.7m. In the final three months before the scheme closed, in April last year, five more companies had come forward, but the loans total still remained at only £5.9m. One concern alone, Alfred Herbert, itself a subsidiary of the NEB, accounted for £3m of the overall allocation.

Price

Alfred Herbert, which borrowed around a further £2m from the private sector, is still paying the price for its decision to carry on building for stock. Plans for a 720 cut in the labour force and "a major reduction in capacity" are going ahead.

Announcing the need for such a move, management pointed out that it had continued to *manufacture for stock* throughout last year in order to maintain employment and in preparation for an upturn in the market which had not materialised.

The present rationalisation is only the latest in a series which have seen employment at Herberts (once one of the world leaders in its sector) decline from around 11,300 at the beginning of the decade to little more than 5,000.

Moves to cut costs and trim capacity had become all too familiar even before the twin problems of high inflation and the three-day week of 1974 *pushed the company close to* financial collapse in late 1975.

The Government stepped in to create £25m of new equity to cover fixed interest debts and losses. A further £1.25m was provided to buy out the remaining shareholders.

In searching for the man thought to have the expertise to restore the company to viability, the Government turned to Sir John Buckley, who had achieved success at Davy International.

Among the problems identified by the new chairman was the obvious overcapacity of the undertaking at a time of difficult world markets. Action was initiated to improve the limited and often outdated product range.

To strengthen a management structure regarded as overcentralised and inefficient, Mr Walter Lees was recruited as chief executive from Tube Investments to push through the necessary reforms.

He has introduced eight different profit centres in order to give management greater control and accountability for performance. Mr. Lees now argues that it is a mistake to talk of "the Alfred Herbert problem." One plant alone, Edgwick, at Coventry, the heart of the empire created by the late Sir Alfred Herbert, is considered to have been the main drain on cash and profits.

According to Mr. Lees, the company will suffer an overall loss this year only because of the problems at Edgwick. He has forecast that all other operations are likely to produce a profit, after interest, of around £1.25m in the year to the end of December.

Indeed, Mr. Lees argues that the company, without Edgwick, would have realised a profit of more than £2m last year, instead of the £236,000 pre-tax loss.

As part of the decentralisation programme, operations at Alfred Herbert fall within three broad divisions, each with its own managing director.

Mr. David Davies, formerly the finance director, has been placed in charge of machine tool activities which last year accounted for around £34m of the £54m Herbert turnover. One of his main tasks will be to act as the link between manufacturing and marketing to prevent output running too far ahead of sales, as in the past.

Changes have already been made on the marketing side but before the end of the year it is intended to further decentralise sales functions.

Sales and marketing are scheduled to move with other head office staff to a new office block and showroom at Draywood House, Coventry. The aim is not only to give a fresh image to the company but also to get an earlier and stronger involvement by individual *plants in the general sales* effort.

The main debate within the machine tool division over the past 12 months has centred upon how best to cut capacity in the wake of depressed world markets. Edgwick, because of its size and consequent heavy overheads, was an obvious candidate for any retrenchment programme.

Around 300 workers left the plant under a voluntary redundancy programme at the beginning of this year and some 520 jobs are scheduled to be lost under the present cutback.

Union leaders fear that the plant, once reduced to the planned labour force of only 900, could be on the path to total closure. Edgwick, which manufactures different types of turning machine for small batch production, has suffered in particular from the attack by low-cost countries (such as Poland, Taiwan and Korea) upon the market for commonplace capstan and turret lathes.

Management would take the line that Edgwick must seek its future not in the more common machinery but by introducing a new range of computer controlled lathes. Such machines are already being tested and should go into full production by next year.

The short term future is assured of the next biggest plant, Mackadown Lane, Birmingham, where around 750 are employed manufacturing single and multi-spindle automatic and other turning machines. A small loss was incurred last year, but present orders look sufficient to at least achieve break even in the 12 months to the end of December. Action has been taken to modernise the product range and seek alternative machine tools.

The main uncertainty for the Birmingham factory is whether it will be able to justify investment of around £7m in a new range of multi-spindle machines.

Arguments have in the past been advanced for the closure of the Red Lane factory, Coventry, with a ~~440~~-strong labour force. However, management plans to continue the profitable work of reconditioning used machines and to transfer manufacture of grinding machines to Edgwick.

Negotiations are continuing with the unions about the 150 jobs involved and some workers will be offered alternative employment.

The plant to which management would draw attention to illustrate the progress they are seeking would be Lutterworth. This factory, with around 400 workers, produces drilling, boring and milling machines, and does so profitably.

A three-year plan to completely reorganise production departments is expected to be completed next year. Investment has been made in new plant and the company maintains that productivity will be doubled without any increase in the floor area.

In addition to its machine tool operation, Alfred Herbert has two other divisions—tooling and controls and instruments—which are not only profitable, but are also thought to offer prospects for growth.

Herbert Tooling, which manufactures and distributes products such as dies and microbore equipment, employs around 1,240 people. The sales and distribution operations moved only a few weeks ago from Edgwick to a new warehouse and office complex at Exhall, Coventry.

The new facilities should increase distribution capacity by 50 per cent, while a sophisticated data handling and processing system will enable depots in various part of the country to get information about latest prices, stock and delivery.

Within the controls and instruments group are Herbert Sigma, based at Letchworth, which produces measuring and inspection equipment, and Herbert Numerical Controls, a Woking company specialising in the supply of control systems for the machine tool sector.

It is by moving into more sophisticated machinery and services that Alfred Herbert sees its future. The hope is that the redundancies and rationalisation now under way in the machine tool division will be sufficient to make the company not merely viable but profitable.

The next 12 months are likely to be crucial in determining whether Alfred Herbert, after a prolonged period of decline, has at last reached a turning point.

Arthur Smith

Sudden boom in equipment leasing

EQUIPMENT LEASING has suddenly boomed in Britain. According to figures issued recently, member companies of the Equipment Leasing Association, representing 75 per cent of the UK business, bought £675m worth of assets for lease last year. This was £254m up on 1978 and the figure has grown steadily from £120m six years ago.

Last year's figure included £198m worth of industrial plant and machinery. But the machine tool industry did not figure largely in the success story, in spite of many leasing schemes operated by the leading finance houses.

Finance

A member of a finance house which has arrangements with several manufacturers, suggested: "Perhaps the reason is that machine tool users can usually find the finance for new capital equipment in the more conventional way."

John Statham, export director of Dean, Smith and Grace, based at Keighley, West Yorkshire, expressed another opinion. His company recently planned to enter into a leasing scheme for its famous lathes, but decided not to go ahead.

"We decided that, with the value of machinery today—in our case anything from £75,000 to £200,000—who would want to lease? We are going to operate ad hoc—if anybody comes along and wants some form of financing, we'll put them in touch with somebody."

Mr. Statham did admit that his company's original interest in a leasing scheme was triggered by a recent rush of inquiries for machines, an indication that the industry may, at last, be picking up. If this is so, will more machine tool companies join the leasing bandwagon?

Most people in the industry believe otherwise. "There may be a trickle, but there won't be a flood," one manufacturer said. Opinion at the Machine Tool Trades Association was that the industry is suspicious of anything that smacks of buying on the "never never." "The business is big in the U.S., where they have long had a more credit-orientated society," an official said. "But over here it's going to be a slow business."

The few that disagree with the argument that high prices of machinery will discourage leasing recalled the consortium that leased a cracker at a *northern oil refinery for £70m.* The figure certainly does make Mr. Statham's £200,000 seem like small fry.

The finance house man said: "It is largely the tax situation that attracts people to leasing, although the industry tries to play it down." There are advantages for both sides. Lessors can claim 100 per cent first year tax allowance for all assets leased for several years. Lessors can reflect the benefits of grants and other investment incentives (including the 100 per cent first year allowances) in the form of reduced rents. This is particularly attractive to companies with low taxable profits.

Another advantage is that leasing does not have to appear on a company's balance sheet. But he gave a warning that this may change. The new accounting standards are expected to demand that finance leases should be capitalised on the user's balance sheet.

"I don't think this will affect the business too much," he said. "After all, particulars of a lease are already included in the notes to the accounts and any sensible lender will take that into consideration when the company is seeking finance."

Mr. Jim Ellis is UK sales manager for Warner and Swazey, who make turning machines at Halifax, West Yorkshire. The company is a subsidiary of Warner Swazey, of Cleveland, and has recently decided it is in a financial position to operate its own leasing scheme without the help of a finance company.

He gave another angle on the leasing business. "We let it be known in May that we were interested in leasing machinery and although not a single contract has been signed, several sales have been made to customers who originally called to see us about leasing."

Advantages

Mr. Ellis sees advantages for his company in being able to sell the machines at the end of the lease. "Our machines are high quality and have a very high resale value," he said. "Recently, two that were bought new for £8,000 were sold to an American for £22,000. That's two and a half times the original price and the machines were 15 years old."

Warner and Swazey intend to offer for leasing the full range of the company's machinery, not just the ones manufactured at the Halifax plant. It even intends to add machines made by the parent company in Cleveland to the leasing list.

Mr. Ellis says his company does not intend to be too strict about the leasing agreement. "If a man has leased for a couple of years and then decides he's been doing so well that he wants to buy, then we'll sell the machine to him."

One of the reasons for the boom, experts believe, is that it has at last become respectable. Early abuses—particularly in car leasing—were quashed in no uncertain way by the Inland Revenue. The schemes that were mere excuses for tax-dodging have disappeared and no body is more pleased than the Equipment Leasing Association.

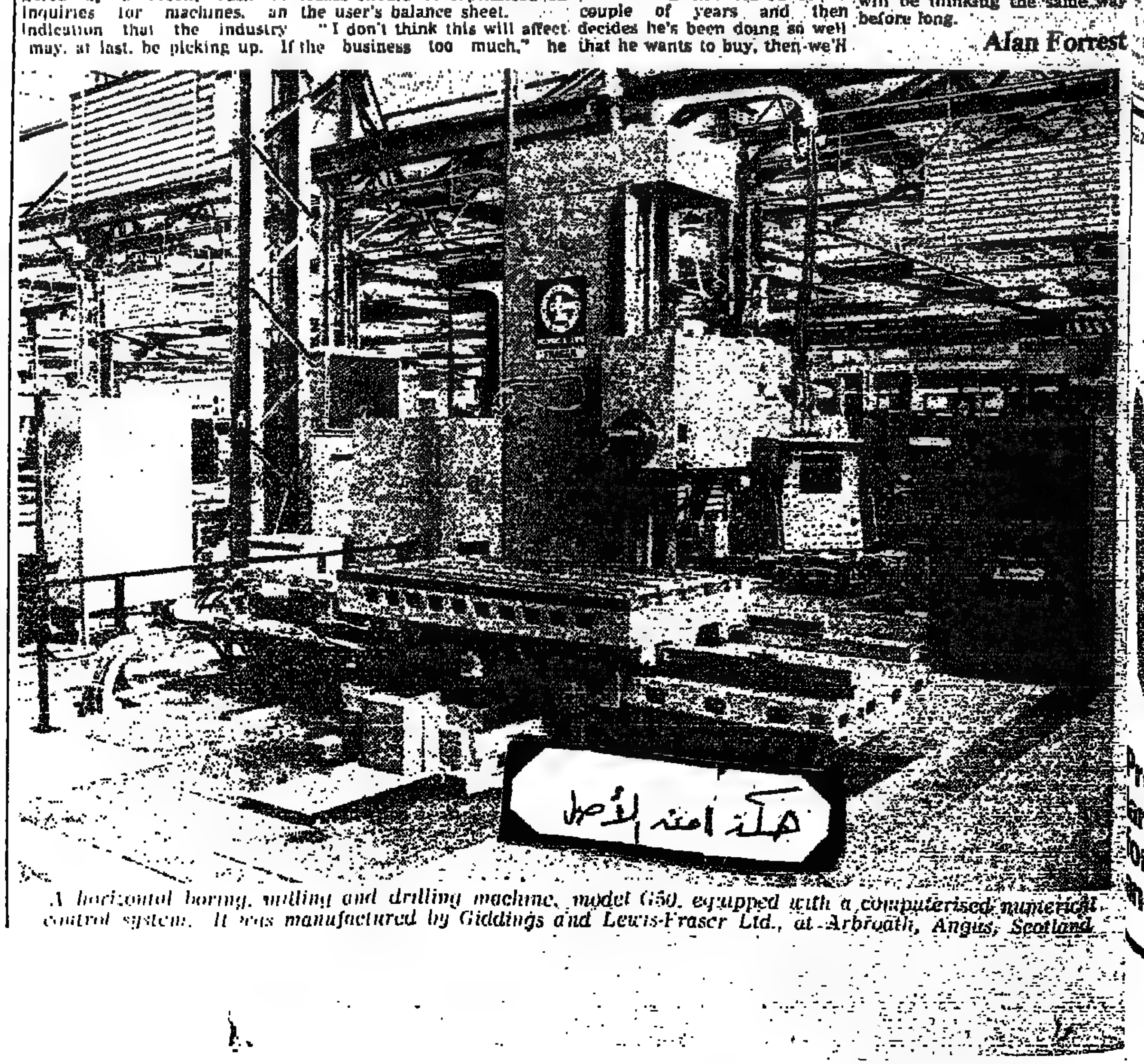
"Eight or nine per cent of all capital investment in industry is now financed by leasing," an official of the Association claimed. The growth is continuing. "It provides the money for companies to expand without interfering with existing lines of borrowing. It is safe for the lessor, who actually owns the property and doesn't have to go through complicated legal procedures of proving ownership in the event of the lessee's business failing."

Recently Sir Harold Wilson said his committee on the City had been impressed by the increasing role of leasing in the capital markets. Investment by lessors went directly to industry and this was now a very important part of the Government's thinking on investment by industry.

Another 30 per cent growth in leasing this year is indicated, although figures are not yet available. When the economy starts to recover and investment takes wing again, maybe the machine tool industry will finally get into the act.

As Jim Ellis of Warner and Swazey says: "My job is to sell machine tools by any system the customer wants." It seems likely that more manufacturers will be thinking the same way before long.

Alan Forrest



A horizontal boring, milling and drilling machine, model G50, equipped with a computerised numerical control system. It was manufactured by Giddings and Lewis-Fraser Ltd., at Arbroath, Angus, Scotland.

MACHINE TOOLS V

Motor industry is main user

THE AUTOMOTIVE industry is probably the biggest user of machine tools. Major investment programmes by the car and truck assemblers affect the machine tool makers in two ways—first the assemblers themselves need new equipment and, second, their component suppliers often have to go out and buy new machine tools too.

In the UK attention is focussed mainly on BL, formerly British Leyland, because as a State-owned concern it is more likely than any of its rivals to buy British machine tools whenever possible. BL Cars alone bought £40m worth of machine tools last year and has indicated that it will spend about £50m a year for 1978 and the following three years.

Not all of this business will go to UK companies, however. But BL has indicated that something over 80 per cent by value of its machine tool purchases will be from UK concerns. If this sort of level is achieved the BL programme will provide a very useful boost for the UK industry—given that total production of machine tools in Britain will be about £400m this year.

Orders

However, that still leaves room for some very big orders to be placed with companies overseas. For example, there was some consternation in the UK industry late last year when in quick succession BL Cars placed a £7m order for KUKA welding machines and one worth £4.6m for an automatic line from Heller—both West German companies. Later two further contracts for welding machines took the total to £14.5m for Germany.

BL maintained that it had to buy overseas because the technology was not available in Britain.

While not disputing the point, the UK manufacturers, through the Machine Tool Trades Association, have argued consistently that if only the industry was given good warning about the requirements of BL—and the other UK-based car makers—it might well be able to come up with the equipment that at present has to be imported.

The lack of consultation between BL and the industry has been a constant problem for some years. The group certainly placed the £40m of orders it forecast it would place in 1977 but there was a last-minute rush during the final quarter. The indications are that BL will hit its £50m target for machine tools in 1978 too.

But the machine tool makers are naturally very concerned every time Mr. Michael Edwardes, BL's chairman, says he is cutting back on investment.

While they appreciate that it is only right that BL should not spend cash unless it will produce a reasonable return, they wish the investment programme could run on a smoother course rather than the bumpy one of today.

For example, the £280m Land-Rover, Range Rover plant expansion project has been brought nearly to a halt while negotiations continue about double-shifting the assembly line after it goes on stream. The machine tool manufacturers believe Mr. Edwardes when he says it will not get going again until he has union agreement on more flexible working practices.

They have the example of the Bathgate truck plant still clear in their memories. There £32m of the investment programme was cancelled after a prolonged strike. Pleas by employees for it to be reinstated fell on deaf ears.

Mr. Edwardes said recently that he was now more optimistic about BL's prospects than at any time during his first year as chairman. The machine tool industry hopes his optimism is well-founded and shudder at the thought of any further gradual running-down of the group's volume car business, Austin-Morris.

BL is given much attention but there are other companies assembling cars and trucks in Britain which need to invest regularly and heavily.

Ford, for example, has indicated it will be spending over £1bn in Britain before 1982. That ought to be very good news for the UK machine tool industry. But even more than BL, Ford has turned to overseas suppliers.

The £230m Bridgend engine plant currently being constructed provides a good case in point. Within a few months of the deal with the UK government being announced—involving an estimated £150m of grants and other assistance—Ford had ordered £8m of equipment from West German companies and £18m worth from American concerns.

Potential

Ingersoll received a £7.5m order for the main cylinder block line, Joseph Lamb one worth £9.5m for the cylinder head line, Ex-Cell-O got a £3m order for transfer lines and Lasalle a £1.2m contract.

Ford explained: "If we could get the machinery we need in Britain we would buy it here." And it promised that as time went on the value of UK equipment to be purchased for the plant would overtake that of the imported machinery.

It is not very clear, however, just how carefully Ford studied the potential UK suppliers. There is certainly a tendency in the motor industry—as in the oil sector—for engineers to specify equipment from companies whose products and performances they already know and can rely upon.

Yet companies like Wickman Thos. Ryder, Staveley, Kearney and Trecker Marwin and Vaughan Associates and the UK subsidiaries of American groups Ex-Cell-O, Cross International and Cincinatti Milacron have a good reputation among the motor manufacturers and can be expected to get their fair share of the business available.

While Ford's Bridgend plant for a while became something of a cause célèbre in the British machine tool industry it is by no means an exception. Last year Ford completely refurbished its Dagenham toolroom at a cost of £4.4m. The major orders for new machinery went to West German concerns—Heyligenstaedt supplied £1m worth of copy mills and planner mills valued at £1.2m were supplied by Waldrich Coburg and Droop and Rien.

Even so, the British machine tool industry would hate to see Ford gradually switch more and more of its resources away from the UK to elsewhere in Europe. They hope that the long strike at Ford UK will not encourage the group to move along these lines.

The industry also has mixed feelings about the change in the ownership of Chrysler UK.

Although the UK Government has won from Peugeot-Citroen undertakings about continuation of the investment programme in the UK and an assurance that Britain will not be left out of any future expansion plans for Chrysler in Europe, there remains a nagging doubt about the medium-term prospects.

It is also assumed that the French machine tool industry will be given priority treatment by Peugeot in future investment projects—not simply because of chauvanism but because it is the French industry with which it has in the past had the closest contacts.

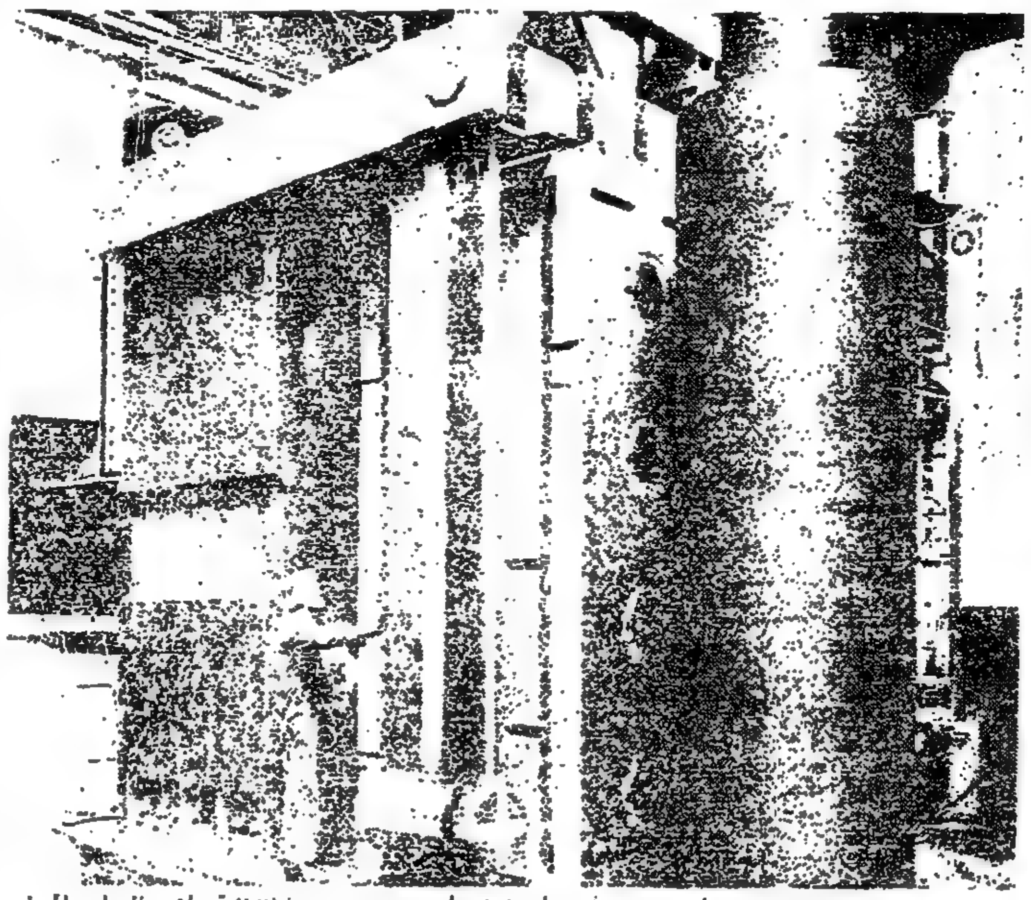
Meanwhile, the UK machine tool industry along with the rest of the European manufacturers, are benefitting from the huge investment programmes by the motor and aerospace industries in the U.S.

In spite of the fact that liason between the American machine tool manufacturers and the car companies is excellent and the equipment makers know well in advance what is required, capacity is being stretched. So the motor assemblers are having to look outside the States for some machines.

It is estimated in the U.S. that to achieve a one mile per gallon improvement in petrol consumption the big three car concerns will between them have to spend $3.6bn. And the Federal Government is insisting on an eight mile per gallon improvement over the next five years. The investment involves many machine tools.

Consequently the annual major U.S. machine tool exhibition in Chicago recently was a really rewarding one for some of the British exhibitors. "There were some very serious inquiries and a lot of business being done," was the way one observer summed it up.

Kenneth Gooding



A Hugh Smith 5,000-tonne vertical plate bending machine under construction

£100m second-hand market

FACTORY CLOSURES and re-equipment plans in expanding companies provide the main sources of second-hand machine tools.

The market is an important one for sales merchants and for the entrepreneurs venturing into small-scale manufacturing for the first time. The total British market for new and used machine tool sales is estimated to be worth approximately £350m a year. New machines account for the bulk, at least 70 per cent of the total, leaving over £100m of sales each year for the growing band of merchants dealing mainly in second-hand machine tools.

The importance of Britain as a base for transactions in the second-hand machine tool market is underlined by the expansion of the main European organisation for the second-hand machine tool trade, the Association of European Machine Tool Merchants. Based in London it has grown from 100 members 30 years ago to 235 members now.

New applications for membership come in almost daily, with recent additions from Sweden, Italy and West Germany.

In Britain, the £100m market for second hand machine tools represents marginally over half of the annual turnover of the so-called "second hand" dealers. Many of the British members of the association also deal in new machine tools with sales accounting for up to 45 per cent of turnover.

This dual role of the merchants underlines the uncertainties of the second hand market. Sales in this sector fluctuate at least as rapidly as sales in the market for new machine tools. But when the engineering sector is expanding the second hand market is one of the first to respond.

One guide to activity in the second hand tool market is to be found in the classified advertisement columns of the trade and national press. The merchant's association said that the 1975 to 1976 period was a recent low in demand for new and used machine tools. During the period, "for sale" notices and advertisements for machine tools wanted by industrialists were almost exactly in balance in one leading machinery journal with approximately 50 items wanted and 50 for sale.

By November last year, total activity in the sector, as measured by published advertisements had almost doubled. The same journal, Machinery Market, recorded a total of 100 machine tools either wanted on the second hand market or for sale.

Well over half of the items listed during the issue of the second week in the month were those wanted by companies either for sale elsewhere or for use in industrial expansion programmes.

But by the same week this year, the total number of machine tools either wanted or for sale had again almost doubled, with the wanted items outpacing those for sale by a ratio of almost three to one.

The machine tool merchants represented by the AEMTM confirmed that the latest figures were not a flash in the pan, but represented a marked upturn in trading activity, in response to industrial growth.

Every week the classified sections of the trade press are reported to be getting more copious, as engineering activity accelerates.

Much of the business in second hand machine tools starts with the receipt of a photograph of the machine for sale. Contracts are often agreed verbally.

Market activity in Britain in second hand tools has traditionally been higher than in almost any other country but Japan, which still has the greatest number of machine tools of any country. But in Britain, the average age of the machine tools in use is lower than Japan at between five and nine years compared with approximately 19 years for Japanese based machine tools.

A survey by the technical journal Metalworking Production showed that 39 per cent of the machine tools in Britain were under 10 years old, compared with 37 per cent in West Germany and 33 per cent in the U.S.

These figures may indicate a greater rate of change of machine tools in Britain than in some other countries and may indicate why the second-hand market in Britain is so buoyant.

The Association of European Machine Tool Merchants said the expansion in the number of second-hand merchants to the present total of around 350 in Britain had taken place at the expense of the companies manufacturing new machines.

It would be difficult to verify the claim, but part of the reason for the expansion is certainly the growth in the export potential for second-hand machines. The U.S. was Britain's biggest importer of second-hand machine tools until a year ago, but a tightening-up of product liability regulations in the U.S. has reduced the attraction of the market to British merchants selling used machine tools.

A raising of insurance premiums by U.S. companies has also had an adverse impact on UK sales of second-hand machines in North America.

The largest potential market for the second-hand sector is now seen as the EEC and the third world countries, although the developing nations are becoming less attractive for the UK exporter as national confidence rises and brings with it a call for new machinery.

Lynton McLain

MACHINE TOOLS VI

Plotting an industrial strategy for the next decade

THE INDUSTRIAL strategy has given a boost to the NEDO role in industrial planning. This is particularly the case for machine tools because it is one of five industries that has been designated as worthy of special attention under the Government's industrial strategy.

The machine tools industry has always merited an Economic Development Committee (EDC) at NEDO—and while some other EDCs have been dissolved to make way for the sector working parties (SWPs) set up under the industrial strategy, the EDC for machine tools has been maintained.

Discussions

The EDC is made up of representatives from various companies in the industry, trade unions, the Machine Tool Trades Association, Government and NEDO, and meets on a regular basis to discuss the state of the industry, and select areas for investigation. Its chairman is Mr. Anthony Frodsham, director general of the Engineering Employers' Federation.

The EDC also has a Strategy Steering Group, which has a similar composition to the EDC itself, plus representatives from the user-industries and one from banking. This group is charged specifically with carrying out the planning and dissemination of information required by the industrial strategy.

Many of the problems associated with the decline of the British manufacturing industry are to be found in this industry, which is why it has particular relevance for the Government's industrial strategy programme.

Much of the EDC's work has been concerned with identifying the reasons for the industry's declining share of both world trade, and its inability to maintain its share of the home market.

Product design has emerged as a major area where there needs to be improvement, and discussions between user industries and the Machine Tool Industry Research Association have been initiated by the EDC with a view to establishing closer liaison between producer and consumer. Other areas where weaknesses have shown up as a result of surveys commissioned by the EDC are servicing, marketing and even delivery.

The initial work of the EDC under the industrial strategy programme was concerned with identifying constraints to optimising production when demand is strong.

By the time this work was completed, however, it was becoming clear that the expected upturn was not going to materialise as quickly as had been forecast.

When the recovery started—roughly in mid-1977—it was much less pronounced than had been anticipated; there is considerable support now for the theory that the peaks and troughs associated with previous cycles are indeed a thing of the past.

In the autumn of 1977, the EDC was working on the next stage of the industrial strategy reports which concerned the medium term programme.

Targets were agreed upon for the industry as a whole: exports were planned to increase to 60 per cent of production by 1980-82 (the highest level in the seventies was 56 per cent in 1975). Imports were to be maintained at least to the present share of the home market, which is about 48 per cent; and productivity is to be increased "to the average level for UK manufacturing industry as a whole."

One year after the targets were drawn up, it seems they were over-ambitious. On the basis of forecasts for world economic growth, the export target meant that Britain's share of world trade in machine tools would need to grow from its current level of about 5½ per cent to 6½ per cent—something which is looking unattainable in the current conditions of world markets.

Similarly, with import penetration, stabilising around the current levels (about 48 per cent of the market) sounded reasonable, but in fact meant reversing the already pronounced trend for the industry's share of the home market to be falling.

Strength

The planned improvement in productivity has also lagged behind target, partly because demand has not picked up sufficiently in all products. A more deep-rooted barrier to higher productivity seems to lie in production processes—the need for improvement in an area likely to merit further attention from the EDC.

The strength of the EDCs, and now the wider coverage afforded by the SWPs, is their tripartite composition. In their bringing together of management, trade unions and civil servants, they have a unique contribution to make to industrial planning.

Their potential weakness, however, is the difficulty in transmitting their message to the people who could make a positive contribution — to the shopfloor in particular, but also to management. Seminars have been organised by individual industries, and most of the EDCs and SWPs produced a popular version of their medium-term programme.

It is unlikely that such measures have been wholly successful in the difficult job of translating words into action, and the strategy steering group of the machine tools EDC intends discussing other measures shortly.

The problem with the industrial strategy type of exercise is that it will take some time before its effectiveness is measurable, and this is particularly so when most of the work that has been done within the EDCs and SWPs is of a general nature.

The machine tools EDC has been particularly sensitive on the point of publicising its major reports (apart from the popular version), deciding against widespread distribution because it did not want information to reach the hands of overseas competitors. The union representatives on the committee would have preferred that the report be widely publicised, as has happened with most of the other reports from the 40 SWPs.

The EDC is now working on the progress report which will be presented to the National Economic Development Council's February meeting. By that time, the new targets on exports, imports and productivity will have been agreed upon.

When that work has been completed, it will look more closely at products and forecast demand patterns.

The market for electronically controlled machine tools is growing worldwide, but at the same time, so is the number of producers. Japan—with its vast experience in electronics—is turning increasingly towards the production of these types of tools, while Germany continues to provide stiff competition.

The more advanced of the developing countries are also moving into production of standard machine tools. One of the key areas to be investigated by the EDC, therefore, is the extent to which Britain ought to be trying to offer a complete range of machine tools.

More detailed work will probably be undertaken on the question of productivity, where the EDC has found itself unable to do much in depressed economic circumstances and inflexible pay policies.

The EDC structure, however, has considerable value in bringing representatives together—often from competing companies—who can take a view on the industry as a whole.

It also provides a valuable link with the draughtsmen of Government economic policy—and this is particularly important with the increasing use of Government funds for promoting industrial investment. The nature of the NEDO exercise also helps to create opportunities for liaison with both suppliers of materials and customer industries—something which is particularly useful for an industry such as machine tools which is very dependent on the needs of finishing industries.

The period of more specific study on which the EDC is about to embark, in the context of the industrial strategy, is intended to provide the information on which the industry can base its course in the 1980s.

Hazel Duffy

Research centre for world markets

THE FIRST things a visitor sees on entering the Machine Tool Industry Research Association's headquarters at Macclesfield, Cheshire, are two glass cases containing lathes—an ornamental one made in 1746 and another less pretty example of turn-of-the-century Birmingham craftsmanship. But the past stops there.

In the offices and workshops in the galleries above the reception area, a staff of 75 experts, including graduate engineers, physicists, metallurgists and mathematicians—is busy with work aimed at coaxing one of Britain's most conservative industries into the 21st century.

Why Macclesfield? The MTIRA's sister organisation, the Machine Tool Trades Association, which handles publicity, marketing and promotion for the industry, is based in the heart of London—in Bayswater. And Macclesfield, though still an important textile centre even after the decline of its traditional silk industry, is not exactly the centre of the universe.

Mr. A. E. De Barr, the MTIRA's director of research, explains that when the association was set up in the early 1960s, Macclesfield was a "centre of gravity" for the machine tool industry. Around Manchester and Stockport there were big machine tool centres and Manchester University was, and still is, closely associated with the engineering industry. Since then, some companies have moved south, but the establishment is still well-sited to serve the industry's needs.

And with the Derbyshire Peak District and the gentler Cheshire countryside at its doorstep, Macclesfield can attract some of the best brains to settle there.

Customers

The Association's job is to establish, with major customers, the kind of machine tools Britain should be making available if it wants to get ahead in world markets. It has a membership of about 100, but as these are mainly company memberships and include the giants, such as 600 Group, it spreads its net to a lot more than 100 people. Mr. De Barr believes its membership represents about three quarters of British manufacturers' turnover.

It is funded by members subscriptions (£131,600 last year), Government grants and fees paid by companies for special projects, highly secret and not shown to visitors. The appeal is mainly to makers and designers, but the Association keeps an eye on machine tool users, who are attending its seminars in increasing numbers.

At present, partly because of the industry's well-known conservatism, but largely because of the state of the economy, there is a reluctance to invest in new machinery. Officials feel that something must be done to make machine tool users more adventurous. It is hard in Britain to sell a first machine of its kind—companies prefer to settle for old and proven equipment.

But the work of planning the industry of the future goes on. The Association has built microprocessors for the control of sheet metalworking machines and is heavily involved in many other aspects of new technology, such as computer-aided design and computer-aided manufacturing processes.

A lot of the Association's present work is concerned with safety and noise standards on the shop floor. This is not just a question of improving an industrial environment at home, but a realisation that Britain must make safer and quieter—and efficient and competitive—machine tools if it wants to sell them abroad.

Noise

Mr. De Barr proudly points out that Britain has led the way within CECIMO (the European organisation of machine tool men) in the battle against noise. "Recently we agreed on a common approach to noise specifications," he said, "and this was very much an MTIRA initiative." But work must go on constantly, he added, to settle other such environmental problems on an international basis.

In the Association's last annual report, the importance of this work was emphasised in a reference to its close co-operation with the Health and Safety Executive of the Department of Employment and the Factory Inspectorate. "New legislation on safety and environmental protection has caused these aspects of machine tool design to be of increasing commercial importance and makes a continuing dialogue between the industry and the executive essential," the report says.

"The Health and Safety Executive has also made use of the MTIRA's test facilities to obtain data on the impact resistance of various materials."

The report went on later: "Users are interested in advanced technology if they can be convinced of its relevance to their problems. They are, however, more interested in anything that will enable them to make better use of existing technology, and, particularly, they wish to achieve higher utilisation of their machines.

"This may mean the overcoming of problems caused by new environmental and safety requirements. It may mean increased reliability of components, or it may mean the replacement of complex—and fault-prone—mechanical devices by electronic systems."

A series of practical investigations is being carried out by the Association to provide technical data on which to base the design of safe and economical guarding systems for metal-cutting and metal-forming machine tools.

Destruction

One test involves running a high-speed grinding wheel at three times the normal factory speed. As the wheel is run to destruction point, the whole experiment is encased in what looks like a miniature army tank with a cine-camera inside to film the results.

Another test for machine guards is enclosed in a compartment of tank-strength and involves what looks like a giant crossbow firing projectiles at a guard. It all looks very strange, but the results, carefully analysed by Macclesfield's boffins could someday clinch a big order for some British company in a safety-conscious foreign country.

As well as safety and noise, the Association's men must take labour relations into consideration when planning the new machine tools. It's all very well to produce equipment practicable only for multi-shift working, but how can a potential buyer be certain that he can get an agreement for multi-shift working? And the increasing development of one-man operated tools seems sensible, but can lead to sticky demarcation disputes.

Mr. De Barr is not pessimistic, but feels there is little hope of real progress in the industry until the economy recovers. "How can you sell a man a sophisticated machine centre when, at the moment, all he wants is a capstan lathe?" All the bright ideas surging around the establishment at Macclesfield call for a return to sizeable investment in the machine tool industry.

Alan Forrest

Successful start for industrial aid scheme

OF ALL the selective industrial aid schemes introduced to help specific parts of British industry during the past three years, the £30m allocated to the development of the machine tool sector is regarded by the Department of Industry as one of the most successful.

Created under powers laid down in the Conservative Government's 1972 Industry Act, it is one of a number of schemes that have closed down for new applications during the past year.

Introduced in August 1975, the scheme has had two aims. The first is to assist companies to develop new products to keep up with rapid technical development and meet the strong competition from countries such as West Germany, the U.S. and Japan. The second is to encourage the modernisation of production facilities, including buildings as well as plant. Many grants made under the scheme cover both these categories. In addition, cash has also been made available to smaller companies towards the cost of consultants' work on improving productivity and efficiency.

Between 1975 and the end of 1972, when applications closed, nearly every major machine tool manufacturer put forward one or more projects for assistance. Claims were also made by small companies. There was a total of 437 applicants for £40m aid covering investment totalling over £200m. Of these, 15 covering £5m aid for £18m investment were either withdrawn or were rejected by the Department.

Progress

Just over 290 offers of aid totalling £32m for £157m investment have been made by the *Department and payment on these offers will continue until* 1981. The European Commission vets all industry aid schemes before they are introduced and then watches their progress, but the government does not expect any problem over the fact that its offers exceed its £30m budget by £2m. This is because sufficient "wastage" is expected not only to eliminate the £2m but also to allow some further offers to be made on 30 cars still being considered covering £6m aid on £27.5m total investment.

Of the £32m, some £12m has been allocated to product development and will be paid out by the end of next year. The remainder will be paid out up to the end of 1981 and is split up into about £3m on buildings, £16m on plant, and less than £500,000 on consultancy fees for small companies.

The scheme had a slow start when it was first introduced and was greeted with some suspicion in the industry. It was simplified and enlarged in 1976. It was also extended up to the end of 1977 and boosted from an original £20m aid budget to £30m. By the beginning of last year some 149 applications for aid had been made but then the pace quickened until in December, the final month, there were 178 applications. This rapid acceleration of interest towards the end of a scheme's period for applications has also occurred in other industry aid schemes.

Under the scheme, companies receive 25 per cent of their costs towards design development and launching of new products, 20 per cent of the cost of new plant and machinery, 15 per cent of the cost of new buildings, and 30 per cent of small companies consultants' fees.

Among the large groups to have used the scheme are the Wickmam group, part of John Brown, and B. Elliott. Wickmam's John Stirk subsidiary in Halifax is receiving £167,000 aid towards £694,000 project costs on the design, development and launching of a large computer-controlled machine needed for railway industry components. The company has said that without the State aid development would have taken much longer.

B. Elliott's Butler Machine Tool subsidiary, also in Halifax, is receiving £391,000 towards the £1.99m purchase of machine tools needed to modernise a range of heavy duty milling machines, boring machines and lathes. The company hopes to double its production of these machines, half of which are exported. It has said that the aid meant it could bring forward its expansion plans and spend more.

At the other end of the scale, a small grant of £24,300 has been allocated to Stuart Davis Machines of Coventry towards the £98,300 design and development costs of a spindle turning machine suitable for batch production. This followed an earlier grant under the scheme to Stuart Davis to help with the purchase of new plant and equipment.

Other industries have benefited from the same sort of aid as that provided by this machine tool scheme. In all, 14 schemes with total aid of £270m have now been started by the present Government under the 1972 Industry Act and other legislation. How many more schemes will be created depends on which political party wins the next election. The Conservatives have indicated that they would not introduce any new scheme, although party spokesmen also accept that it will not be possible for them to tamper with commitments already made under existing schemes. So the machine tool aid offers are safe until they have been fulfilled during the next three years.

If a Labour Government is returned, it will have to decide whether to introduce more special schemes for individual industries, or to extend its more general selective investment scheme. Alternatively it could try some other method of encouraging industry to modernise itself in order to compete in world markets.

Offered

The main problem to be faced by civil servants and Ministers in making such a decision is how to discover whether a specific aid scheme has meant that taxpayers' money has been well spent. It is one thing to point, as Industry Ministers do, to the eagerness with which companies have lapped up the money offered. But it is quite another thing to try to prove that provision by the Government of about a fifth of the money needed for a project has induced a company to do something it would not otherwise have done or has significantly speeded up a development that might otherwise have been delayed.

In the case of the machine tool scheme, the Department of Industry's economics and statistics division will be carrying out a detailed assessment in the coming months in the same way as it has just done for the textile industry's aid scheme, also rated a success in Whitehall. Meanwhile the Department can only point to an estimate that whereas investment in machine tools was running at about £12m a year for the five years before the scheme started, it has now risen to £25m.

John Elliott

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James Finlay Unit Trust Mngt. Ltd.

10, West Nile Street, Glasgow. 041 204 1321

Finlay Internat'l	21.2	22.8	.....	2.74
Accum. Units	25.1	27.0	.....	2.74
Finlay Income	34.4	37.0	.....	8.29
Finlay Euro. Fin.	26.5	28.6	.....	2.62
Accum. Units	31.7	34.1	.....	2.62
Finlay Fd. In. Tst.	26.8	28.8	.....	4.42
Accum. Units	31.7	34.1	.....	4.42

Prices Nov. 22. Next dealing Nov. 29.

Midland Bank Group Unit Trust Managers Ltd.♥ (a)

Courtwood House, Silver Street, Head, Sheffield, S1 3RD. Tel. 0742 79842

Commodity & Gen.	62.2	68.0	+0.1	5.72
Do. Accum.	73.3	80.2	+0.2	5.72
Growth	35.8	38.5	.....	3.35
Do. Accum.	38.4	41.3	.....	3.35
Capital	25.8	27.8	+0.1	4.06
Do. Accum.	28.2	30.3	.....	4.07
Income	51.2	55.1	-0.1	6.90
Do. Accum.	59.8	64.3	.....	6.89
International	41.9	45.3	.....	3.38
Do. Accum.	44.7	48.2	.....	3.38
High Yield	61.7	66.4	+0.2	8.50
Do. Accum.	67.3	72.4	+0.1	8.50
Equity Exempt*	103.6	109.3	.....	6.00
Do. Accum.*	103.6	109.3	.....	6.00
Japan & Pacific	47.0	50.0	.....	1.00
Do. Accum.	47.0	50.0	.....	1.00

*Prices at Nov. 7. Next dealing Dec. 1.

CORAL INDEX: Close 478-483

INSURANCE BASE RATES

†Property Growth	10¼%
†Vanbrugh Guaranteed	10.75%

†Address shown under Insurance and Property Bond Table.

INSURANCE AND PROPERTY BONDS

CrossbowFd.(Acc.)	SF3.80	3.89	-0.10	—
ITF Fd. (Acc.)	$US8.08	8.20	-0.03	—

International Pacific Inv. Mngt. Ltd.

PO Box R237, 56, Pitt St., Sydney, Aust.

Javelin Equity Tst.	$A2.23	2.34	.....	—

J.E.T. Managers (Jersey) Ltd.

PO Box 98 Channel House, Jersey. 0534 73673

Jersey Extrnl. Tst.	171.0	181.0	.....	—

As at Oct. 31. Next sub. day Nov. 30.

Jardine Fleming & Co. Ltd.

46th Floor, Connaught Centre, Hong Kong

Jardine Estn. Tst.	HK$378.56	.....	1.90
Jardine J'pn.Fd.*	HK$610.21	.....	0.80
Jardine S.E.A.	$US17.37	.....	2.00
Jardine Flem. Int.	HK$11.73	.....	—
Intl. Pac. Secs. (Inc.)	HK$14.19	.....	—
Do. (Accum.)	HK$14.33	.....	—

NAV Nov. 14. *Equivalent $US85.55. Next sub. Nov. 30.

S. G. Warburg & Co. Ltd.

30 Gresham Street, EC2 01-600 4555

Cnv. Bd. Nov. 23	$US9.29		-0.06	—
Eng. Int. Nov. 23	$US17.21		.....	—
Gr. St. $Fd. Oct. 31	$US7.30		.....	—
Merc. Ebd. Nov. 22	$US10.29	10.40	.....	0.1717
Merc. MnMkt. Nov. 20	£10.12	10.13	.....	—

Warburg Invest. Mngt. Jrsy. Ltd.

1, Charing Cross, St. Helier, Jsy. CI 0534 73741

CMF Ltd. Oct. 26	$US14.57	14.95	.....	—
CMT Ltd. Oct. 26	£14.62	15.00	.....	—
Metals Tst. Nov. 16	£12.73	13.04	.....	—
TMT Nov. 9	$US9.96	10.21	.....	—
TMT Ltd. Nov. 9	£9.87	10.13	.....	—

World Wide Growth Management♦

10a, Boulevard Royal, Luxembourg.

Worldwide Gth. Fd.	$US14.57	-0.01	—

NOTES

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GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents

Dividends Paid		Stock	Price	Div Net		Cvr	Yld Gr's
Feb	Aug	Buffels R1	$10¼	26.6	Q170c	1.8	18.2
Aug.	Feb.	East Drie R1	885c	26.6	†Q78c	1.7	10.2
Aug.	Feb	East Rand Prp R1	590c	28.6	—	—	—
June	Dec.	F S Geduld 50c	$18	30.10	Q315c	ϕ	20.2
June	Dec.	Pres. Brand 50c	$11½	30.10	Q150c	ϕ	15.0
May	Nov.	St Helena R1	$10¼	2.10	Q150c	ϕ	21.4
Aug.	Feb	Stilfontein 50c	390c	26.6	†Q22c	2.3	6.5
Aug.	Feb.	Vaal Reefs 50c	$17¾	7.8	Q115c	3.3	7.5
Feb.	Aug.	West Drie R1	$28¾	26.6	Q385c	1.7	15.4
June	Dec.	West Hldgs 50c	$21¼	2.5	Q415c	ϕ	22.5
Feb.	Aug.	Western Deep R2	$10¼	7.8	Q82.5c	2.4	9.3

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 33 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Sterling denominated securities which include investment dollar premium.
- "Tap" Stock.
- Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- Interim since increased or resumed.
- Interim since reduced, passed or deferred.
- Tax-free to non-residents on application.
- Figures or report awaited.
- Unlisted security.
- Price at time of suspension.
- Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- Merger bid or reorganisation in progress.
- Not comparable.
- Same interim: reduced final and/or reduced earnings indicated.
- Forecast dividend: cover on earnings updated by latest interim statement.
- Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- Excluding a final dividend declaration.
- Regional price.
- No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ϕϕ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 27

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The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	26		Sheffield Brick	55	
Ash Spinning	54xd		Sheff. Refrshmt	67	
Bertam	15		Sindall (Wm.)	114	
Bdg'wtr Est. 50p	323				
Clover Croft	28		IRISH		
Craig & Rose £1	615		Conv. 9% 80/82	£89⅞	
Dyson (R. A.) A	35		Alliance Gas	95	
Ellis & McHdy	56xd		Arnott	340	
Evered	24		Carroll (P.J.)	100	
Fife Forge	52		Clondalkin	90	
Finlay Pkg 5p	21		Concrete Prods	130	
Graig Ship £1	140		Heiton (Hldgs.)	48	-2
Higsons Brew	73	-2	Ins. Corp	160	
Holt (Jos) 25p	252		Irish Ropes	105	
I.O.M. Stm £1	178		Jacob	52	
N'thn Goldsmith	74		T.M.G.	180	
Pearce (C. H.)	190xd		Unidare	85	
Peel Mills	21				

OPTIONS

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Industrials		I.C.I.	20	Tube Invest	30
A. Brew	6½	Imps	6	Unilever	35
A.P. Cement	18	I.C.L.	20	Utd. Drapers	7½
B.S.R.	9	Invereck	8	Vickers	15
Babcock	11	KCA	3	Woolworths	5
Barclays Bank	25	Ladbroke	17	**Property**	
Beecham	35	Legal & Gen	14	Brit. Land	3½
Boots	15	Lex Service	7	Cap. Counties	4½
Bowaters	16	Lloyds Bank	22	E.P.	5
B.A.T.	24	"Lofs"	4	Intereuropean	4
British Oxygen	6	London Brick	5	Land Secs.	16
Brown (J.)	20	Lonrho	5	MEPC	12
Burton 'A'	12	Lucas Inds	25	Peachey	8
Cadburys	5	Lyons (J.)	10	Samuel Props	9
Courtaulds	10	"Mams"		Town & City	1¼
Debenhams	8	Mks. & Spncr	13		
Distillers	15	Midland Bank	25	**Oils**	
Dunlop	7	N.E.I.	12	Brit. Petroleum	45
Eagle Star	11	Nat. West. Bank	22	Burmah Oil	5
E.M.I.	14	Do. Warrants	10	Charterhall	3
Gen. Accident	17	P & O Dfd	3	Shell	28
Gen. Electric	18	Plessey	8	Ultramar	20
Glaxo	40	R.H.M.	5		
Grand Met	9	Rank Org. 'A'	18	**Mines**	
G.U.S. 'A'	20	Reed Intnl	12	Charter Cons.	12
Guardian	18	Spillers	3	Cons. Gold	14
G.K.N.	22	Tesco	4	Rio T. Zinc	16
Hawker Sidd	20	Thorn	22		

FINANCIAL TIMES
Monday November 27 1978

Right-wing backlash in Transvaal poll

BY QUENTIN PEEL — JOHANNESBURG, Nov. 26.

THE ELECTION of the arch conservative, Dr. Andries Treurnicht, as Transvaal leader of South Africa's ruling National Party, is expected to precipitate a bitter ideological struggle within the South African Government.

His victory in the poll for what is the second most powerful position in the party to that of Mr. P. W. Botha, the Prime Minister, represents a dramatic Right-wing backlash against the moves to "humanise" apartheid espoused by Mr. John Vorster, the former Prime Minister, Mr. Botha himself, and most notably, Mr. Pik Botha, the Foreign Minister. It is thought likely to force the Government to halt moves to scrap petty racial discrimination and concentrate rather on strict application of separate development for whites and blacks.

Dr. Treurnicht's success is a notable setback to the Foreign Minister just as he arrives in New York for crucial talks with Dr. Kurt Waldheim, the United Nations Secretary-General, aimed at heading off the threat of sanctions against South Africa. Mr. Pik Botha's own position, clearly identified with the liberalising trend in the National Party, was totally eclipsed by Saturday's election.

The new leader of the National Party in South African's largest province, who succeeds Dr. Connie Mulder, the former Minister of Information, must be seen as the most likely successor to national leadership of the party, commanding the natural loyalty of 67 members in a parliamentary caucus of 153 MPs.

Dr. Treurnicht is an unashamedly dogmatic interpreter of apartheid ideology, who sees so-called "petty apartheid"—petty racial discrimination which the present regime has tried to repeal—as a fundamental part of the grand strategy. A former clergyman in the Dutch Reformed Church and chairman of the Broederbond, the influential Afrikaner secret society, he has been continually passed over for cabinet office in spite of his obvious grass-roots following.

His victory on Saturday at the meeting of the 109-strong Transvaal head committee, over Mr. Fanie Botha, the "moderate" Minister of Labour, is a clear snub for the new Prime Minister and the "enlightened" direction of his Government. The margin of his victory, by 63 votes to 45, in the face of a combined operation by the Afrikaner establishment to stop him, is an indication of the extent of the backlash.

Poles apart

The immediate problem facing the Prime Minister is whether, or more probably when and how, to promote Dr. Treurnicht to the Cabinet. In his reshuffle 10 days ago, he ignored his claims, promoting rather Dr. Piet Koornhof and Mr. Punt Janson, two moderates.

Dr. Treurnicht remains the deputy Minister of Plural Relations, and, ideologically, poles apart from his new Minister, Dr. Koornhof. In his new position, however, he is powerful enough virtually to pick the post he wants.

The future of Mr. Pik Botha is much more doubtful. In spite of his wide public following, the latest election shows his own lack of a base within the National Party. According to the Afrikaans newspaper, Rapport, he declared himself "unavailable" for election to the provincial executive, after hearing of a move to oust him from it.

If Dr. Treurnicht succeeds in consolidating his position, it could, ultimately, precipitate a fundamental split in the ruling party, with Mr. Botha and his "verligte" (enlightened) supporters breaking away. Their attitude is shared by most of the intellectual and academic wing of Afrikanerdom, including the Press. Rapport today described Dr. Treurnicht as a man tied to an "out-of-date ideology," with an image of opposing any change which might lead to better race relations.

In the meantime, Mr. Botha will doubtless concentrate all his energies on his portfolio — and, immediately, on his New York talks. Before he left South Africa, he said he was still hopeful of an internationally acceptable settlement in Namibia (South West Africa), although not at a price of endangering "the future of the peoples of the territory."

Dr. Waldheim has to report back to the UN Security Council on progress towards UN-supervised elections in Namibia. If the talks break down, the Security Council has agreed to consider imposing sanctions on South Africa.

£2bn NEB plan put to Varley

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE National Enterprise Board has submitted a new five-year corporate plan to the Government based on a considerable expansion of its present borrowing limit of £1bn.

Mr. Eric Varley, Industry Secretary, who is now studying the plan, is expected to approve it next month after he and his officials have held detailed talks with the Board.

He is also expected to publish soon—probably later this week — a Bill raising the Board's borrowing limit from its present £1bn ceiling to £2bn or more.

This could lead to a considerable political row in the Commons, where it will be opposed by Conservative MPs, who object to the Board doing more than looking after "lame ducks."

Ministers hope that the fact that the Bill will also raise borrowing limits for the Scottish and Welsh Development Agencies will provide it with sufficient support from minority parties for it to be approved.

The Ministers will point out that the Board's actual spending power depends not on the borrowing limit but on allocations in the annual Public Spending White Paper.

The Board's new corporate plan covers major expenditure on both BL, formerly British Leyland, and on Rolls-Royce, as well as on other projects such as the £50m INMOS micro-electronics company, a £40m investment in the office equipment market, and North Sea oil and gas technology.

It envisages the Board expanding its role of organising company mergers and product development in what it sees as key strategic areas of industry. These include hydraulics and nuclear equipment, both based on subsidiaries of Fairey Holdings, as well as diesel engines and pumps and valves.

The Board has also been told by the Government to help expand exports, and it is finalising arrangements to set up a "builders' merchants" business in Jeddah to sell UK-made building components and materials to Middle East construction companies.

It has export businesses dealing in computer software and hospital equipment.

The plan also discusses ideas for developing the Board's regional role, based on its two regional boards and offices in Newcastle and Liverpool. These ideas include special initiatives to help small firms.

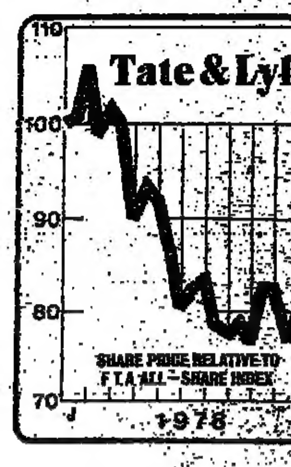
There are plans too to develop further the divisional structure of the NEB's headquarters so that companies with common interests are grouped together.

Corporate plan for companies, Page 4

THE LEX COLUMN

Stirring it up at Sugar Quay

When Tate and Lyle took over Manbre and Garton two years ago, Mr. John Lyle (then chairman of T and L) was able to forecast "another bumper year. He wrote to Manbre shareholders "Our record speaks for itself."



The present management of T and L would be less inclined to invoke the company's subsequent record. Pre-tax profits in the year to September 1978 are generally thought to have been around half the previous year's £43.9m and the pre-tax return on capital employed has probably fallen to the region of 5 per cent.

Spending

The decline in profits has coincided with a period of high capital investment and acquisitions—the Garton starch plants, sucrochemicals, the New York refinery, isoglucose production—and with the cost of closing down some sugar capacity. Borrowings net of cash, around £95m at the end of September 1977, rose about £25m in the next 12 months despite the sale and leaseback of the group's Sugar Quay headquarters. Although the medium-term refinancing of £30m of short-term borrowings removed some pressure from T and L progressively higher interest rates have exacerbated its difficulties. On top of this, the company's tax charge has risen, probably to around 40 per cent in 1977-78 from the previous year's 30 per cent, as a result of its inability to relieve losses in the U.S. and because all the available capital allowances on ships had been taken in the past.

Since the end of the 1977-78 financial year, T and L has made a number of disposals: two ships from the Panocean line, the freehold of Manbre's old plant and, most importantly, Manbre's South African subsidiary African Products. These have brought in £16m and the Sugar Line ships should also be sold quite shortly (as a line rather than piecemeal), leaving only 4 Panocean/Anco tankers and two 33,000 dwt vessels in the T and L fleet. That should leave the shipping division as a profitable commercial unit, and the group is not at the moment contemplating any further disposals.

Another once-and-for-all gain may be realised by lowering the sugar base stock from the 200,000 tonnes shown for the UK and U.S. in 1977—an adjustment that would reflect the reduced need to hold stocks for export.

Tate's objectives have, of necessity, become considerably less grandiose in the last year or so in the face of a long-term decline in its traditional businesses—refining and shipping. The new chairman, Lord Jellicoe, believes the group will develop into "a whole range of fairly stable businesses." As examples, he gives the engineering division, United Molasses, Hugh Baird, the malt firm, and the commodity storage operation. The engineering business is increasingly taking on agricultural contracting work outside sugar. The group places great stress on the development of sucrochemicals and hopes to produce detergents, alginate gums, plastics and even fuel alcohol from sugar. The first sucrochemical plant will come on stream next summer and should be contributing profits in 1979/80.

Surgery

But no amount of surgery has been able to disguise T and L's current shortage of profits. Lord Jellicoe believes that UK refining can be made profitable again once demand, now static or declining, and capacity have been brought properly into line. Break-even point for capacity use is well over 80 per cent, and Tate and Lyle is finding it can no longer keep the extra capacity margin that it would like to have in order to take advantage of the export opportunities that would arise if the premium of white sugar over raws were to widen again.

Current capacity in the UK is 1.43m tonnes a year of white sugar equivalent; the company is producing 1.35m, at the moment, 1.23m from cane imports under the Lomé convention.

T and L fears that if Lomé sugar fell short of the quotas one year, the storm troops of the EEC beet lobby would try to reduce the quotas in line. Equally, its battle to sell isoglucose (high fructose syrup) at a competitive price in the EEC is not entirely won yet, although the European Court ruled late last month that the levy on isoglucose applied by the Commission in order to prevent it holding a price advantage over sugar was unfair. T and L is now worried that even if, as it would like, a quota system is brought in to cover isoglucose production, the very low output levels of the last year when the levy had its full dampening power may be taken as the basis for the quota. Its two associates, Tunnel and Amylum, bought with an eye to isoglucose benefits, have largely been producing other glucoses and starches pending the result of the isoglucose case. The starches produced here, and on a larger scale by Garton in Canada, may be a promising area for profit growth in a medium-term view but the immediate outlook is rather depressed.

Commodity trading

Other reasons for the current shortage of profits lie in the U.S. where the pulses interest, Berger and Plate, makes large losses; T and L is cutting back stocks and must be considering pulling out altogether. Its New York refinery may move back into profit when it has been switched over, at the cost of £9m, to granulated from liquid sugar production, and if the U.S. ratifies the International Sugar Agreement. Commodity trading is still a major contributor to profits but is no longer able to earn the enormous speculative windfalls picked up during the sugar shortage when terminal prices were so volatile. The company was disingenuous about this bonanza at the time and accustomed itself and the market to expect what turned out to be unsustainable levels of profit.

Lord Jellicoe is not expecting a sudden recovery. "To be looking for a pleasant upward trend in profits in a couple of year's time—I'd be very disappointed if we didn't get it." The shares are propped up by general faith that the Board's confidence in the group, that T and L may be turning into will allow it to maintain the dividend—the current yield is 11 per cent—through the lean years.

Two die in North Sea diving bell accident

BY KEVIN DONE, ENERGY CORRESPONDENT

TWO NORTH Sea divers died yesterday in an accident on the Beryl Field about 200 miles north-east of Aberdeen.

The divers were trapped on the seabed in their diving bell in about 370 feet of water. The bell was being lifted to the surface in a storm when the "umbilical cord" and lift lines were severed as the diving support vessel, Star Canopus, was forced from her station by the gale.

The bell fell to the bottom and became half-embedded in the mud on the seabed, trapping the divers inside. The men were employed by Northern Divers, a subsidiary of Star Offshore Services. They had been working to connect a flow-line from an underwater well to the base of the concrete Beryl "A" platform.

The bell was located on the bottom by a mini-submarine using radar. A second team of four divers was sent down in a bell from another vessel to attach recovery lines.

When lifting began in the early afternoon the divers still seemed alive.

But water began to seep into the damaged bell during the rescue, flooding the chamber, Mobil said last night. The body of one diver floated to the surface, but the other remained trapped inside the bell.

The Department of Energy said last night that there would be an official inquiry into the accident. A Department diving inspector is expected to fly to the Beryl Field today.

More than 27 divers have died in accidents in the North Sea since offshore operations began to build up in 1968. There are up to 1,500 divers working in the North Sea in periods of peak activity. They have one of the highest death records of any occupation in the UK.

Concern has often been expressed about inadequacy of medical facilities to deal with diving accidents.

A medical report by the Scottish Office earlier this year criticised medical arrangements for being "fragmented and haphazard." The report has led to the Government and the oil companies agreeing to setting-up of a purpose-built £750,000 medical unit in Aberdeen to deal with the growing number of divers injured in the North Sea.

The storm damaged bridge, mast and radio aerials on the Star Canopus.

The Beryl platform has been dogged by misfortune in recent months. In September and October production was closed for several weeks when a concrete column was flooded by seawater, which seriously damaged electrical equipment.

£5.50 offer to shop staff 'within limit'

BY CHRISTIAN TYLER, LABOUR EDITOR

LOW-PAID grocery and supermarket employees could get pay rises of up to 20 per cent from a wage agreement which goes out to ballot by union members this week.

The agreement guarantees a cash increase of at least £5.50 a week to about 100,000 workers, including those in big supermarket chains like Tesco, Fine Fare, International Stores and Allied Suppliers.

Higher-paid staff will get the 5 per cent increase allowed by the Government's pay policy, plus in some cases substantial extra payments for productivity where their employers are not already paying more than the guaranteed minima.

Both the Union of Shop, Distributive and Allied Workers and the Multiple Grocers' Association maintain that the deal conforms with the pay policy.

Their negotiators used the low-pay provision in the White Paper, Winning the Battle against Inflation, to justify an exceptional increase for lowest-paid grades, and the productivity exemption for the higher-paid.

Total new money for the lowest grade, at present receiving a £37 weekly minimum, is £7.16, bringing them to just over £44.

The Government has exempted settlements of over 5 per cent provided the resultant weekly earnings are no more than £44.50, a figure condemned by trade unions generally as far too low when judged against a national average earnings figure of nearly £90 a week.

Earnings of the next grade would reach £44.48 a week if USDAW's recommendation to accept is endorsed by the ballot.

The agreement, backdated to November 17, is the result of a new grading structure worked out in the last 18 months. The increase above 5 per cent for more senior staff is justified on the ground that skills have increased with technology.

This was now being recognised at national level, USDAW said.

Mr. John Flood, assistant general secretary of USDAW and chief negotiator for the union, said that the agreement had not been formally approved by the Department of Employment.

But in the negotiations both sides had been careful not to exceed the guidelines for fear of retaliatory action.

New supermarkets, especially in hihg unemployment areas, can attract Government aid.

The union had said that price-cutting by supermarkets for the benefit of the customer should not be at the expense of employees in an already low-paid industry.

Iran Government survives first challenge on day of mourning

BY ANDREW WHITLEY — TEHRAN, Nov. 26.

IRAN'S three-week-old military led Government today faced its first concerted challenge from the combined ranks of the political and religious opposition in the country. A national strike and day of mourning was widely observed. But, although demonstrations and violent clashes occurred in many cities, including the capital, casualties appear to have been contained at a politically tolerable level.

Coming just one week before the start of the Moslem religious month of Moharram, for which both sides are bracing themselves, the continuing strength of anti-regime feeling, as shown today, will have been a sharp reminder to the generals of the difficulties they still face.

In spite of the formidable obstacles, every day recently has brought statements of the Government's determination to press ahead with measures aimed at placating deep-seated popular grievances. In the latest example, three supreme court judges were today appointed to a commission examining the wealth of the royal family.

The oilfields strike is virtually over—though the domestic refineries at Shiraz and Tehran are still holding out—and exports are expected to be back to normal within a week. In the wake of the six-week stoppage, Mr. Hassan Ali Mehran, the able Finance Minister, has been given the task of revising this year's budget and easing the cash flow problems faced by many large companies.

Two other pressing gfinancial issues—a serious distortion in the rial's foreign exchange rate and the technical bankruptcy of several major banks—are likely to be deferred for a few weeks until the administrative chaos brought about by months of civil disruption is more sorted out.

In Tehran and most other major cities, shops and many offices closed for the day in response to a strike call that brought together virtually every Shi'a Muslim religious leader of note, including the exiled Ayatullah Khomeini in Paris. The cause was the alleged desecration of Iran's most holy shrine, that of "IMAM REZA," in Mashad, and the deaths of several demonstrators within its walls, last Monday.

Inevitably, today's biggest demonstration was in Mashad itself. A spokesman for the city's senior clergyman, Ayatullah Shirazi, said hundreds of thousands of people had marched peacefully through the streets.

For the capital, it was a day of running battles between troops and relatively small groups of demonstrators throughout the city centre. The two main centres of disturbances were the Tehran University campus and the towering headquarters of the National Iranian Oil Company along Tehran's most prestigious business street.

A list of other cities affected reads almost like a gazette of the country. Most notable was Isfahan, where there are unconfirmed reports that two policemen were killed. As a result, the city's night time curfew has been extended by four hours.

Violent demonstrations, including arson attacks on banks and public buildings, are also reported to have taken place in Hamadan, Rezaiyeh, Qom and Babol.

Weather

UK TODAY

Pressure will remain high over Britain with a northerly airstream over most eastern areas.

England and Wales will be mostly dry with bright or sunny periods, but there will be snow showers in some eastern districts of England, mainly near the coast.

Scotland will have snow showers with local moderate accumulations of snow. Showers are expected to die away in the west.

Northern Ireland may have some rain or snow later. It will be cold in the northeast and rather cold in the southeast.

Outlook: Dry in the southeast after wintry showers. Cloudy in the west. Rain preceded by snow in places will spread to some eastern parts. Rather cold. Night frost.

From the London Weather Centre

BUSINESS CENTRES

	Y'day midday	°C	°F		Y'day midday	°C	°F
Amsterdm.	[illegible]	[illegible]	[illegible]	Luxmbrg.	[illegible]	[illegible]	[illegible]
Bahrain	[illegible]	[illegible]	[illegible]	Madrid	[illegible]	[illegible]	[illegible]
Barcelona	[illegible]	[illegible]	[illegible]	Manchstr.	[illegible]	[illegible]	[illegible]
Beirut	[illegible]	[illegible]	[illegible]	Melbourne	[illegible]	[illegible]	[illegible]
Belfast	[illegible]	[illegible]	[illegible]	Milan	[illegible]	[illegible]	[illegible]
Belgrade	[illegible]	[illegible]	[illegible]	Montreal	[illegible]	[illegible]	[illegible]
Berlin	[illegible]	[illegible]	[illegible]	Moscow	[illegible]	[illegible]	[illegible]
Brmghm.	[illegible]	[illegible]	[illegible]	Munich	[illegible]	[illegible]	[illegible]
Bristol	[illegible]	[illegible]	[illegible]	Newcastle	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	New York	[illegible]	[illegible]	[illegible]
Budapest	[illegible]	[illegible]	[illegible]	Oslo	[illegible]	[illegible]	[illegible]
Cairo	[illegible]	[illegible]	[illegible]	Paris	[illegible]	[illegible]	[illegible]
Cardiff	[illegible]	[illegible]	[illegible]	Perth	[illegible]	[illegible]	[illegible]
Chicago	[illegible]	[illegible]	[illegible]	Prague	[illegible]	[illegible]	[illegible]
Cologne	[illegible]	[illegible]	[illegible]	Reykjavik	[illegible]	[illegible]	[illegible]
Cpnhgn.	[illegible]	[illegible]	[illegible]	Rio de Jo	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	Rome	[illegible]	[illegible]	[illegible]
Edinburgh	[illegible]	[illegible]	[illegible]	Singapore	[illegible]	[illegible]	[illegible]
Frankfurt	[illegible]	[illegible]	[illegible]	Stockholm	[illegible]	[illegible]	[illegible]
Geneva	[illegible]	[illegible]	[illegible]	Strasbourg	[illegible]	[illegible]	[illegible]
Glasgow	[illegible]	[illegible]	[illegible]	Sydney	[illegible]	[illegible]	[illegible]
Helsinki	[illegible]	[illegible]	[illegible]	Tehran	[illegible]	[illegible]	[illegible]
H. Kong	[illegible]	[illegible]	[illegible]	Tel Aviv	[illegible]	[illegible]	[illegible]
Jo'burg	[illegible]	[illegible]	[illegible]	Tokyo	[illegible]	[illegible]	[illegible]
Lisbon	[illegible]	[illegible]	[illegible]	Toronto	[illegible]	[illegible]	[illegible]
London	[illegible]	[illegible]	[illegible]	Vienna	[illegible]	[illegible]	[illegible]
				Warsaw	[illegible]	[illegible]	[illegible]
				Zurich	[illegible]	[illegible]	[illegible]

HOLIDAY RESORTS

	Y'day midday	°C	°F		Y'day midday	°C	°F
Ajaccio	[illegible]	[illegible]	[illegible]	Istanbul	[illegible]	[illegible]	[illegible]
Algiers	[illegible]	[illegible]	[illegible]	Jersey	[illegible]	[illegible]	[illegible]
Biarritz	[illegible]	[illegible]	[illegible]	Las Plms.	[illegible]	[illegible]	[illegible]
Blackpool	[illegible]	[illegible]	[illegible]	Locarno	[illegible]	[illegible]	[illegible]
Bordeaux	[illegible]	[illegible]	[illegible]	Luxor	[illegible]	[illegible]	[illegible]
Boulogne	[illegible]	[illegible]	[illegible]	Majorca	[illegible]	[illegible]	[illegible]
Casablnca.	[illegible]	[illegible]	[illegible]	Malaga	[illegible]	[illegible]	[illegible]
Cape Town	[illegible]	[illegible]	[illegible]	Malta	[illegible]	[illegible]	[illegible]
Corfu	[illegible]	[illegible]	[illegible]	Nairobi	[illegible]	[illegible]	[illegible]
Dubrovnik	[illegible]	[illegible]	[illegible]	Naples	[illegible]	[illegible]	[illegible]
Faro	[illegible]	[illegible]	[illegible]	Nice	[illegible]	[illegible]	[illegible]
Florence	[illegible]	[illegible]	[illegible]	Nicosia	[illegible]	[illegible]	[illegible]
Funchal	[illegible]	[illegible]	[illegible]	Oporto	[illegible]	[illegible]	[illegible]
Gibraltar	[illegible]	[illegible]	[illegible]	Rhodes	[illegible]	[illegible]	[illegible]
Guernsey	[illegible]	[illegible]	[illegible]	Salzburg	[illegible]	[illegible]	[illegible]
Innsbruck	[illegible]	[illegible]	[illegible]	Tangier	[illegible]	[illegible]	[illegible]
Inverness	[illegible]	[illegible]	[illegible]	Tenerife	[illegible]	[illegible]	[illegible]
Is. of Man	[illegible]	[illegible]	[illegible]	Tunis	[illegible]	[illegible]	[illegible]
				Valencia	[illegible]	[illegible]	[illegible]
				Venice	[illegible]	[illegible]	[illegible]

S—Sunny F—Fair R—Rain Sl—Sleet Sn—Snow H—Hail C—Cloudy

Ford sanctions announced today

BY RICHARD EVANS, LOBBY EDITOR

GOVERNMENT sanctions against Ford Motor to be announced today following last week's 17 per cent pay settlement are certain to provoke furious reactions among MPs and throughout industry.

The scale of the Government's retaliatory action against Ford for smashing the 5 per cent pay guideline so completely will be made known after senior Ministers have informed Sir Terence Beckett, chairman of Ford UK.

The CBI, the Conservative Party, Left-wing Labour MPs and Ford itself are all preparing to protest vigorously at what are considered to be unfair tactics against a company that has *already suffered considerably* from a nine-week strike in an effort to keep down the pay settlement.

The purpose of today's meeting between Sir Terence and Mr. Eric Varley, Industry Secretary, Mr. Roy Hattersley, Prices Secretary, and Mr. Albert Booth, Employment Secretary, is to allow the company to put its case—but there appears to be no room for any compromise or climb-down.

Ministers remain determined to make an example of Ford on the grounds that if the Government does not stand firm against such a blatant breach of the 5 per cent norm then pay policy would be at an end and the level of wage settlements would soar. Retaining inflation in single figures remains the over-riding priority.

One sanctions option, blacklisting, usually entails the loss of new Government contracts, the ending of investment assistance, loss of temporary employment subsidies and a ban on export credit guarantees.

But in Ford's case action could be confined largely to the loss of Government and some public sector purchasing contracts and strict vetting of future price increases. The indications are that Ministers will stop short of invoking all the weapons available to ensure that jobs are not lost.

Christian Tyler, Labour Editor writes: Sir Terence Beckett will hold a Press conference later today to comment on the Government's decision. If he decides to invoke the help of the CBI, of which he is a senior member, the confederation's 25-man presidential committee will meet tomorrow or Wednesday.

A CBI spokesman said yesterday that sanctions against Ford, which had already suffered a strike because of its initial efforts to stick to the 5 per cent limit, would have the reverse effect to that intended.

Vauxhall car prices go up 5%

VAUXHALL IS the first manufacturer to announce a new series of car price increases, following the last round in the early summer.

Vauxhall's prices, which have been unchanged since June, went up by 5 per cent from midnight.

Other manufacturers may be expected to follow suit.

Examples of the new prices, including car tax and VAT, are (old prices in brackets): Chevette two-door saloon £2,458 (£2,341), Viva 1300 L Estate car £3,118 (£2,969), Cavalier 1600 GLS Sports hatch £4,384 (£4,175), Carlton saloon £4,831 (4,600), Royale Coupe £8,662 (£8,249).

Unions hit EEC chemical talks

By Sue Cameron, Chemicals Correspondent

MULTINATIONAL chemical companies were accused by trade unionists this weekend of holding secret talks with the European Commission in Brussels which could "threaten job security and national industrial strategy in both France and Britain."

But chemical industry executives have denied that the talks were secret.

Mr. Roger Lyons, national chemicals officer of the Association of Scientific, Technical and Managerial Staffs, told the chemical congress of the French trade union body the Confédération Française Démocratique du Travail that there was a danger of "unofficial cartels being hatched behind closed doors in Brussels, excluding trade unions."

He said CEFIC—the European Council of Chemical Manufacturers' Federation—was already involved in discussions at Commission level and demanded that trade unionists be included in these talks.

Mr. Lyons said the chemicals companies' plans "apparently cut across the free market principles of the Rome Treaty," and claimed that because of this the Brussels' meetings had been held under clandestine conditions. But the European chemical trade unions would insist on open discussion of European activtiies.

"From now on European chemical unions insist on fullest involvement in all Brussels discussions on over-capacity, restructuring, tariffs, anti-dumping, compensation trading—especially with Eastern Europe — cartel formation, voluntary and otherwise, job security and everything else affecting staff in the chemical industry," said Mr. Lyons.

"The days when employees were the last to learn of their future are over. The era of industrial democracy has arrived."

The initial reaction of the industry to Mr. Lyons' attack was dismissive. It was stated that CEFIC was formally recognised in Brussels as the body representing chemical manufacturers' interests in Europe.

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